Austria ... Sch 20	Indonesia ... Rp 2500	Portugal ... Esc 90
Bahrain ... Din 0.650	Italy ... L 1500	S. Arabia ... Rls 5.00
Belgium ... BFr 45	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 125
Cyprus ... C£0.70	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 8.00	Lebanon ... £L 8.00	Sweden ... Skr 7.00
Egypt ... E£1.00	Luxembourg ... LFr 45	Switzerland ... SFr 2.20
Finland ... Fmk 6.50	Malaysia ... Rm 4.25	Taiwan ... NT $65
France ... Fr 6.00	Mexico ... Pes 300	Tunisia ... Din 0.600
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 250
Greece ... Dr 80	Netherlands ... Fl 2.75	U.A.E. ... Dh 8.50
Hong Kong ... HK$ 12	Norway ... Nkr 7.00	U.S.A. ... $1.00
India ... Rup 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,904 — Tuesday April 15 1986 — D 8523 B

Baker's tough line on Third World debt, Page 4

World news

Haiti seeks to recover Duvalier assets

Haiti, following the example of the Philippines, has asked the Swiss Government whether it can recover assets with Swiss banks belonging to its deposed President Jean-Claude (Baby Doc) Duvalier and his family.

The Swiss Government or the Banking Commission is not likely to instruct the banks to freeze Duvalier assets in the same way as it ordered the blocking of wealth belonging to former Philippine President Ferdinand Marcos and his family.

Swiss officials confirmed that representatives of the new Haiti regime visited Berne, the Federal capital, last week to discuss ways of recovering any Duvalier assets with Swiss banks.

Tutu elected

Nobel peace prize winner Bishop Desmond Tutu has been elected leader of the Anglican Church in southern Africa.

Pretoria death toll

The death toll in South Africa's black township violence rose by 14 over the weekend as police reported that nine blacks were burnt to death in the eastern Cape and five others shot dead by police on Sunday. Page 4

Workers to return

Most of 100,000 workers involved in Norway's biggest industrial dispute for 55 years will return to work today, arbitrators said. Earlier story Page 3

Moscow visit

Sweden's Prime Minister, Ingvar Carlsson, making the first official visit to the Soviet Union by a Swedish leader since 1976, arrived in Moscow for talks on arms control and bilateral relations. Page 3

Tear gas fired

Israeli troops fired tear gas to disperse Palestinian students hurling rocks at Israeli ultra-nationalists meeting in a Jewish settlement overlooking the occupied town of Hebron.

Nato effort urged

Nato needs more coherent planning for armaments co-operation as part of an effort to reduce waste and duplication in arms manufacture, Robin Beard, Nato assistant secretary-general, said. Page 2; Feature Page 24

Natta re-elected

Italy's Communist party acclaimed Alessandro Natta as its uncontested leader, confounding predictions that he would be ousted because of two electoral setbacks last year. Page 2

Opponents meet

Members of the abolished Philippine National Assembly still loyal to ousted leader Ferdinand Marcos held a "rebel session" and accused President Corazon Aquino of illegally grabbing power.

Employee executed

A Chinese state company employee was executed for leaking state secrets to foreign businessmen and taking bribes. Page 4

Kidnap protest

Schools, universities and education officials in Moslem west Beirut went on strike to protest against a series of kidnappings of teachers. Eight have disappeared in three months – four of them foreigners missing over the past 18 days.

French writer dies

French writer and philosopher Simone de Beauvoir died in hospital aged 78.

Business summary

British industry's input costs plummet

BRITISH industry's fuel and materials costs fell by 10.9 per cent in the year to March, the sharpest drop since the 1950s, as manufacturers continued to benefit from the collapse in oil prices and weak international commodity prices. Page 26

WALL STREET: By 2pm, the Dow Jones industrial average was up 7.89 at 1,797.99. Page 50

TOKYO moved sharply higher but later suffered brisk profit-taking. The Nikkei average closed 70.38 up at 15,396.76. Page 50

LONDON was subdued ahead of the Opec meeting and the US-Libyan standoff. The FT Ordinary index fell 12.6 to 1,399.3 and the FT-SE 100 slipped 11.0 to 1,685.1. Gilts were quiet. Page 50

FRANKFURT: Commerzbank index jumped to new peak, its fifth in six sessions, with a 49.4 gain to 2,243.9. Bourse records were also hit in Stockholm and Amsterdam. Page 50

STERLING gained 65 points in London to close at $1.4815. It also rose to DM 3.42 (DM 3.40); FFr 10.8925 (FFr 10.83); SFr 2.86 (SFr 2.8375) and Y263 (Y263). The pound's exchange rate index rose to 76.4 from 74.1. Page 43

DOLLAR rose in London to DM 2.3090 (DM 2.3035); FFr 7.3525 (FFr 7.3425); SFr 1.9305 (SFr 1.9245) and Y178.95 (Y178.35). On Bank of England figures the dollar's exchange rate index rose to 119.3 from 118.7. Page 43

GOLD fell $0.50 to close at $341.00 on the London bullion market. It rose in Zurich to $340.75 ($340.05). Page 42

OPEC is expected to abandon any attempt at setting output levels for members for the second quarter of 1986 and to concentrate on agreeing on a share-out of likely demand when ministers resume their emergency conference today. Page 3

REAGAN Administration is asking Japan to join a new series of talks aimed at opening up markets similar to those launched last year at a meeting between President Reagan and Japanese Prime Minister Yasuhiro Nakasone. Page 26

FRENCH banks have been upset by the failure of leading foreign banks based in Paris to take part in a loan restructuring operation for Sereg, troubled building group which has passed to the control of Bouygues, the country's biggest construction company. Page 27

CHINA'S trade growth slowed significantly in the first quarter, but further import cuts are needed if the country is to achieve its goal of a fall in total trade in 1986. Page 5

ELF AQUITAINE, state-controlled oil group and France's biggest enterprise, expects to lose FFr 6bn ($817m) in cash flow this year as a result of the collapse of oil prices. Page 27

ROLLS-ROYCE, UK state-owned aero-engine group which the Government wants to privatise, won civil engine orders worth more than £300m ($441m) in the first quarter this year. Page 10

CHASE Manhattan, third largest US banking group, reported a 7.5 per cent gain in first-quarter net earnings reflecting higher net interest income and other operating income. Page 27

DEUTSCHE Bank, West Germany's biggest bank, has sharply increased earnings again this year after achieving record operating profits in 1985. Page 27

MORTON Thiokol, US aerospace group which built the ill-fated booster rocket on the *Challenger* spacecraft which exploded in January, suffered a fall in third-quarter earnings. Page 28

DETROIT newspapers, Gannett's News and Knight-Ridder's Free Press, will set up a joint agency to split the local market and end years of costly competition. Page 47

EEC plans curbs on Libyans but urges US caution

BY QUENTIN PEEL IN THE HAGUE AND REGINALD DALE IN WASHINGTON

THE TWELVE member-states of the EEC yesterday agreed to curb the movements of Libyan diplomats in their countries, to cut back their numbers and to demand stricter visa requirements of Libyan nationals. Their action comes as a direct response to "convincing evidence" of Libyan involvement in acts of terrorism.

They also called on the Libyan Government of Col Muammar Gadaffi to renounce any support for terrorism.

At the same time they urged "restraint on all sides" to avoid any further escalation of military tension in the Mediterranean, a plea clearly aimed at dissuading the US Government from taking unilateral military action against Libya.

The foreign ministers of the 12, at an emergency meeting in The Hague, went far further than any previous statement in identifying Libya as "implicated in supporting terrorism." They stopped short, however, of ordering the closure of Libyan representations – "peoples bureaux" – in their capitals, as urged by Sir Geoffrey Howe, the UK Foreign Secretary.

In Washington, meanwhile, officials said that no decision had yet been taken on possible military action against Libya, and the White House denied reports that President Ronald Reagan was to hold a high-level strategy-planning session with his national security advisers yesterday. "There is no such meeting," said Mr Larry Speakes, the White House spokesman.

Mr Speakes declined to comment on West European reactions to talk of US air strikes against Libya. The Administration was expected to welcome yesterday's decision by the 12 foreign ministers to crack down on Libyan diplomats in Western Europe – a move that Washington has long been urging.

It was not clear, that the European action would be enough to dissuade the US from going ahead with preparations for military action. The Administration has been hinting that it might call off plans for a strike if the European governments took tough economic and political action against Col Gadaffi.

With Mr Reagan still apparently pondering whether to send his forces into action, some of his advisers were reported to be urging him to wait for Col Gadaffi's next terrorist attack on Americans, which they predicted could come at any time. There was some concern in Washington that US hesitation over the last few days had helped Col Gadaffi to prepare for any attack and rally support in the Arab world.

Despite Mr Speakes's denial that any high-level meetings would take place, Mr Reagan was expected to consult two of his key advisers, Vice President George Bush and Mr Caspar Weinberger, the Defence Secretary, both of whom returned from visits abroad on Sunday. Both men are believed to be among those urging restraint.

The European foreign ministers flatly rejected the "unacceptable threats made by Libyan leaders against member-states," in a clear reference to Col Gadaffi's warning of possible action against either Italy or Spain. Both countries have US military bases.

"Any action of this sort will meet with a vigorous and appropriate response on the part of the Twelve," they said.

Although the EEC action still falls short of the support sought by the US Government for the isolation of the Gadaffi regime, Sir Geoffrey Howe said it was a "vigorous and appropriate response" to evidence of Libyan involvement in terrorism.

The ministers went beyond their January declaration of an arms embargo on any state "implicated in terrorism" by specifically identifying Libya as affected.

The Community countries are also calling on the Arab states and members of the Arab League to join them for urgent talks on the whole problem of international terrorism, in a further effort to put diplomatic

Continued on Page 26

Details, Page 3

US and Japan take new initiative on trade issues

BY STEWART FLEMING IN WASHINGTON

THE US and Japan have agreed to set up a joint panel of top officials to monitor Japan's commitment to changing the structure of its economy so that domestic consumption rather than exports plays a bigger role in fostering economic growth.

Announcing the new initiative yesterday at the end of a three-day visit to Washington by the Japanese Prime Minister, Mr Yasuhiro Nakasone, President Ronald Reagan said that he had asked Mr George Shultz, the Secretary of State, and Mr James Baker, the Treasury Secretary, "to pull together a broad grouping of high level officials to discuss structural economic issues of mutual concern." He said that Mr Nakasone was asking the relevant Japanese ministers to take similar action.

A senior US Administration official briefing reporters after the joint statement by Mr Reagan and Mr Nakasone, said that trade issues had been the focus of the bilateral talks. "There is no question which was the key issue discussed between them – it was trade," he said.

He added that, from the US perspective, the commitment which Mr Nakasone had outlined, to depend less on exports for growth, represented an "historic change of course," and one which the US has been pressing for. He declined to express any scepticism about the readiness of Japan to implement this commitment.

The official also indicated, however, that the two countries were moving towards identifying new areas for specific sectoral trade negotiations, following the agreement in Los Angeles last year to hold talks aimed at liberalising access to Japan's telecommunications, electronics, forest products and medical equipment markets. Officials are

Continued on Page 26

Cutting edge of yen's rise, Page 26

US deal will lift Saatchi to No 2

BY LUCY KELLAWAY IN LONDON

SAATCHI AND SAATCHI, the British-based international advertising agency, is set to become the second largest agency in the world with the planned purchase of Backer & Spielvogel of the US.

Saatchi is initially paying $50m for the US agency, which has annual billings of $400m.

The group is also at an advanced stage in discussions to buy a leading European managing consultancy for a likely price of about £10m.

Saatchi also announced yesterday a £406m rights issue, which will increase its market value to more than £1bn ($1.47bn).

The rights issue is the second largest ever launched in the UK by an industrial company. Last June Hanson Trust raised £519m from shareholders in an issue that was blamed for triggering a sharp summer setback on the London stock market.

Yesterday's move by Saatchi was received with caution by the London market, which is expecting a rights issue of up to £500m to be announced by Allied-Lyons towards the end of the week. However, analysts are not yet unduly concerned and note that the market has only digested £350m of rights issues during the first three months of the year

The terms of the rights issue are seven ordinary shares for every eight existing ones and 12.3 ordinary shares for every 100 preference shares. The issue price of 705p compares with a price on Friday of 945p, and a closing price last night of 855p.

The issue has been sweetened by a forecast jump in pre-tax profits for the year to September 1986 of 68 per cent to £67.9m, and a promised increase in earnings per share of at least 20 per cent.

County Bank, the company's advisers, have underwritten the issue, and the sub-underwriting was successfully completed yesterday by Phillips & Drew.

To counter fears that Saatchi is expanding too quickly and outgrowing its management resources, Saatchi said yesterday that the company is being streamlined into two divisions, Communications and Consulting, and that its finance team has also been expanded.

Lex, Page 26

5% ADR tax too high – UK central bank

By Philip Stephens in London

MR ROBIN Leigh-Pemberton, Governor of the Bank of England, yesterday stepped into the controversy over the decision to tax the conversion of shares into American depositary receipts (ADRs) by suggesting the proposed 5 per cent charge was too high.

Giving evidence to the House of Commons Treasury and Civil Service Committee on last month's budget, Mr Leigh-Pemberton said that criticism of the tax was "partly justified."

His remarks, which came in response to MP's questions in a meeting focusing largely on the Government's monetary policy, are understood to reflect the central bank's concern that at 5 per cent the tax can be seen as a protectionist measure.

Mr Leigh-Pemberton said that he understood Mr Lawson's wish to balance the reduction of stamp duty on British share transactions with some form of tax on ADRs. If was also right that UK institutions operating should not be able to escape stamp duty on transactions in British shares.

Monetary policy, Page 7

France cuts key intervention rate by ½-point

By David Housego in Paris

THE BANK of France yesterday cut its intervention rate – the leading money market rate – by a ½ percentage point to 7¼ per cent in the first lowering of French interest rates since the franc was devalued eight days ago.

At the same time, the bank tightened credit policy by increasing the compulsory reserves that the commercial banks must hold with the central bank in an effort to bring the overshooting of the money supply under control.

The two moves reflect the tightrope the new Government of Mr Jacques Chirac is trying to walk between lowering interest rates to encourage investment while pursuing monetary and fiscal policies that will continue to bring down inflation.

Reinforcing the anti-inflationary stance, the Government is expected tomorrow to announce a supplementary budget which will leave this year's overall deficit equal to or marginally lower than the FFr 145.3bn ($19.8bn) announced by the previous Socialist administration.

Any cut in the budget deficit will be achieved despite FFr 12bn to FFr 13bn in new expenditure and FFr 9bn in upward revisions of spending commitments inherited from the Socialists.

The cautious reduction in interest rates comes just before the lifting of exchange controls probably this week – which had already been announced by the Government. The measures will principally enable companies to cover forward their import purchases while removing the current requirements on the repatriation of foreign exchange earnings.

Worries over the lifting of exchange controls have been eased substantially by the large inflow of capital into France last week – estimated at about FFr 30bn – in the wake of the devaluation of the franc. Further inflows are expected as a result of the tax amnesty, to be announced tomorrow, on capital illegally held abroad by French residents.

Yesterday's initial lowering of interest rates still leaves French rates in real terms at an historic high on the base of a 12-month inflation rate at the end of February of 3 per cent. It also leaves short-term rates still close to long-term rates, with last week's FFr 28bn issue of 10-year bonds carrying a yield of 7.83 per cent.

Officials believe that there is room for French interest rates to drop by 1½ to 2 percentage points over the year if the Government achieves its inflationary targets.

BHP injects A$1.22bn into Elders

BY LACHLAN DRUMMOND IN SYDNEY

BROKEN HILL Proprietary (BHP), the big Australian energy, resources and steel company, moved dramatically yesterday to strengthen its defences against the unwelcome approaches of Mr Robert Holmes à Court by paying A$1.22bn (US$857m) for a strategic holding in Elders IXL.

Mr Holmes à Court indicated, however, that his bid, although blocked in the courts, remains alive. Bell Resources, the company through which his bid is being mounted, gave details of the A$623m rights issue announced last week whose proceeds will help support it.

BHP's purchase of convertible bonds equal to 12.6 per cent of Elders, and of A$1bn worth of convertible preference shares, follows Elders' A$1.7bn acquisition of nearly 20 per cent of BHP last week in a raid.

Because of this cross-holding pattern Elders, whose main interests lie in brewing, finance and agriculture, has greatly strengthened its equity funding.

Mr John Elliott, Elders' chairman, leaves Australia for London today to argue the merits of his bitterly contested bid for Allied-Lyons, the British brewing and foods group, to the UK Monopolies and Mergers Commission. Elders recently sold its 6 per cent holding in Allied.

BHP has, in the meantime, seen a large slice of its own shares pass into friendly hands, although Elders' longer-term intentions towards its newest investment remain unclear.

Each company will nominate two directors to the other's board, and Mr Elliott himself will take up one seat at BHP.

Australia's National Companies and Securities Commission reacted to the BHP move by calling a public hearing to determine whether the spirit or letter of corporate law has been infringed.

Companies are barred from financing the purchase of their own shares and the Commission has wide powers to investigate and remedy what it sees as unacceptable behaviour towards shareholders.

Both BHP and Elders yesterday denied any linkage between the two transactions, saying the capital injection by BHP follows talks begun in October, when Elders was seeking equity partners to underpin its bid for Allied-Lyons.

BHP's chairman, Sir James Balderstone, said his board had no prior knowledge of Elders' buying of BHP shares last week but that BHP's own move was "justified as a sound and profitable investment in its own right."

Mr Holmes à Court, whose own holding in BHP is already about 19 per cent, attacked BHP's move and warned that he was considering taking further legal action.

Meanwhile, Bell Resources, through which his A$7.70 a share bid for a further 20 per cent of BHP is being mounted, announced details of the A$623m rights issue first mooted last week.

The four-for-five issue to all shareholders will cost BHP some A$70m and is likely to dilute to about 10 per cent the 18 per cent counter-holding it has built up in Bell.

Mr Holmes à court said yesterday he had declined two offers in recent days for his company's stake in BHP.

He would not reveal the price offered or the parties involved, though he is known to have met Mr Elliott at the weekend.

BHP's A$1bn investment in an initially low-yielding asset continues its defensive tactics which are part "poison pill" and part "scorched earth." It takes BHP's outlays on such assets to about A$4bn in the past year, including almost A$2bn on US oil interests and A$1.1bn buying out partners in its iron ore and coal businesses.

The preference capital from Elders yields 6.75 per cent. Any greater return is largely determined by the performance of Elders as the options attached to the preference shares are exercisable at A$4.35, 20 cents below Elders' recent high. The A$1bn of low-cost equity funding should underwrite a strong future performance by Elders.

Bell holds about 11 per cent of BHP directly, with a remaining stake of almost 8 per cent held under option from the Adsteam Group and others. Bell's entry price on exercise of the options is around A$6.70 a share for a total of 235m shares. Bell's physical holding of some 130m shares cost about A$7.10 a share.

Stock prices fell in Sydney after last week's record gains with the repercussions of the takeover manoeuvres and a measure of profit-taking undermining the mood. The All Ordinaries index shed 12.5 to 1,201.1. BHP put on 16 cents to A$7.26 after its purchase of shares and rights to a 20 per cent stake in Elders IXL. In the opposite direction, Elders, trading ex-dividend, fell a sharp 68 cents to A$4. Bell Resources was also lower, shedding 15 cents to A$6.65. Market report, Page 50

CONTENTS

EUROPEAN NEWS

Natta strengthens his leadership of Italian Communists

BY JAMES BUXTON IN ROME

ITALY'S Communists have ended their five-day congress in Florence with the position of their leader, the 68-year-old Mr Alessandro Natta, strengthened and with some of the left-wing mystique of the party's image deliberately toned down.

But they have not made any clearer how they intend to pursue their objective of coming to government, from which they have been absent since 1947.

The congress, which ended on Sunday night, reunited and revived the spirits of the party after two disastrous years. In 1984 it lost its revered leader, Enrico Berlinguer, who died of a stroke. Last year the party suffered a serious reverse in local elections and was then defeated in a referendum on wage indexation which it had promoted. From then on the party became riven with internal strife.

Mr Natta was re-elected party secretary by acclamation on Sunday and has succeeded in welding together an alliance consisting of the centre majority of the party plus its right wing, among whose leaders is Mr Giorgio Napolitano. The pro-Soviet section of the left is a tiny minority.

Mr Natta has established Mr Achille Occetto, an engaging and popular 50-year-old, to be his effective No 2. There are suggestions that Mr Natta, who *has a poor image with the* Italian public, may hand over to Mr Occetto at the next congress.

Mr Natta has made an important change with the policies of Mr Berlinguer. He made clear to the congress that he did not believe that the party was an infallible source of wisdom and that it possessed an historic inevitability that made it different from other parties.

He told the congress: "We do not claim to profess the truth, nor to be superior to others." He said that the party was simply another party of the European left.

Mr Natta's shift is designed to make the party more appetising to the Italian electorate, of which about 30 per cent supports it, and to other political parties which have so far refused to ally themselves with it. But the apparent abandoning of the idea that the Communists are "different" could dismay party activists, while it raises the question of why the Communists retain a name which in itself makes many people uneasy.

Nato urged to plan for arms co-operation

By Bridget Bloom in Brussels

NATO NEEDS more coherent planning for armaments co-operation as part of an Alliance effort to reduce waste and duplication in arms manufacture, Mr Robin Beard, assistant secretary general of Nato, said yesterday.

Nato had so far planned for such co-operation between its 16 member states on a piece-meal, hit-and-miss basis, Mr Beard told a conference of industrialists here.

Mr Beard, a former US Congressman now responsible *for all joint armaments projects* within Nato, said he recognised that Nato was an alliance of sovereign nations and he was not therefore calling for a supra-national procurement agency. But Nato did badly need a more efficient system to allow real co-ordination of co-operative arms manufacture.

Mr Beard, who took up his Nato assignment two years ago, *said he thought there had been* some progress. He noted that Nato arms directors, who meet here today in regular spring session, had agreed in less than four months to go ahead with joint research and development on six projects to be financed by a special $250m fund.

Nato arms purchasing, Page 24

Special guest at Honecker's Party

BY LESLIE COLITT IN EAST BERLIN

IN THE run up to East Germany's Communist Party Congress later this week, the Socialist Unity (Communist) Party has predictably hailed itself as the "most successful party on German soil."

The stars of the mammoth gathering, in East Berlin's Place of the Republic, will be East Germany's 73-year-old leader Mr Erich Honecker—in power since 1971—and his special Soviet guest, Mr Mikhail Gorbachev. Despite their 19-year age gap and Mr Honecker's inability to speak Russian, the two men should have few problems communicating.

The East German party congress will be, it appears, the first in Eastern Europe to be visited by Mr Gorbachev. *East Berlin sees this as a sign of the* Soviet leader's high esteem for Mr Honecker and for his country's economic achievements. By Soviet standards East Germany is a model of economic efficiency.

For strategic reasons, Soviet leaders have always paid close attention to the Warsaw Pact's western-most outpost, jealously guarding it with the 380,000 man Soviet Forces Group.

There were times during the past two years when Mr Honecker wished Moscow had paid less attention to every aspect of his leadership. In the summer of 1984, Soviet diplomats and the media in Moscow warned East Berlin of the dangers of getting too close to Bonn. As a result, Mr Honecker had to cancel a scheduled visit to West Germany set for September of that year. The talks between Mr Gorbachev and his East German ally are expected to give the green light to Mr Honecker's long delayed visit which could take place shortly.

Mr Erich Honecker

The East German leader survived his differences with the Soviet leadership over the Bonn visit remarkably well. His dour image among East Germans got a noticeable boost and his only rival, the hard-liner Mr Konrad Naumann was recently eased out of the Politburo. Mr Honecker's apparent crown prince, Mr Egon Krenz, is still new to the inner leadership circle and untested in Soviet eyes.

Most important for Moscow, the ageing but still energetic East German leader has a proven track record of maintaining internal stability and order. At the same time his country has scored the highest growth rate in Comecon in recent years and supplied the Soviet Union with a wide range of vital industrial products.

Economic growth of 4.1 per cent in the first quarter of this year (versus a planned 4.4) was noteworthy during a tough winter.

The 133 industrial Kombinate (combines) created in 1979 have proved themselves able to boost efficiency but not innovation. These vertically integrated groups have been praised by Mr Gorbachev's economic advisers.

East Germany has, in recent years, also moved to bring the costs of industrial and agricultural inputs closer to real costs and introduced higher prices for new products in the market place. The state budget, however, is burdened by ever greater *subsidies to maintain low rents* and low prices for basic necessities which East Germans regard as indispensable in the absence of high wages.

The role of the private shopkeeper and repairman, never wholly eliminated in East Germany, is being cautiously enhanced by granting more licences to open private shops each year. Even the party realises that spongey rolls from a huge bakery combine will never replace crisp ones from a private outlet.

One great complaint of East Germans has long been tight restrictions on travel to the West. In recent months, the numberof East Germans allowed to visit families in the West on special occasions jumped more than 50 per cent to some 1,500 a month. This increase in the number of visitors has been accompanied by a doubling in the number of East Germans allowed to move permanently to West Germany after years of waiting. Some 7,000 arrived in the first quarter of the year. Both increases were the result of talks last year between the increasingly flexible Mr Honecker and West German politicians.

But the problem of confinement remains for most East Germans who are unable to travel except to a few East European countries. The restrictions cause a good many East Germans to lose all hope of improvement and to make *the difficult decision to apply* for "resettlement" to West Germany.

A leading Protestant bishop in East Germany noted recently that young people were especially saddened that they are forced to wait until retirement age until they can visit the West.

UK 'warns of risks' in rejecting Cyprus plan

By Andriana Ierodiaconou

BRITAIN HAS warned that a rejection of the latest United Nations peace plan for Cyprus will increase the risk of a permanent partition of the divided eastern Mediterranean island, according to Greek Cypriot officials.

This view was reportedly put forward by Mrs Margaret Thatcher, the British Prime Minister, during a meeting in London one week ago with Mr Spyros Kyprianou, the Cypriot President. Both London and Washington have been strong supporters of the Cyprus peace initiative launched by the UN Secretary-General, Mr Javier Perez de Cuellar, in 1984.

Mr Kyprianou, who arrived in Athens yesterday, was expected to brief the Greek Government on his London visit during a round *of consultations on how* to respond to the latest UN document.

The Cypriot President had reportedly hoped to persuade the British side that if the UN draft settlement is accepted in its present form it would create an unstable situation in Cyprus and by extension the eastern Mediterranean. Britain maintains two sovereign military bases on the island which was a colony until independence in 1960.

Cyprus has been partitioned since 1974, when Turkey invaded and occupied over one third of the island in the wake of a coup organised by the Greek military junta.

The present UN draft plan, *the third such document* in 15 months, was presented by the Secretary General to the Greek and Turkish Cypriots at the end of March. Over the previous two plans the first, in January 1985, was rejected by the Greek Cypriots, and the second, in April 1985, by the Turkish Cypriots. The two sides were reportedly given until this week to respond to the present plan but this deadline now seems unlikely to be met, at least by the Greek Cypriots.

The three documents appear very similar, all sketching out the setting up of a bi-zonal federal republic in Cyprus with a Greek Cypriot President and a Turkish Cypriot Vice-President. They differ sufficiently, however, on how the state should be organised and run, as well as on prescribed procedure for working out remaining details in order to arrive at a comprehensive settlement, to have failed in the first two cases to prove acceptable to both sides.

Soviet test ban a 'setback'

By Patrick Cockburn in Moscow

THE SOVIET UNION has suffered a military setback as a result of its eight-month moratorium on the testing of nuclear weapons but this was balanced by political gains, Marshal Sergei Akhromeyev, the Soviet chief of staff, said yesterday.

He said that the Soviet Union plans to resume its nuclear weapons testing following the US nuclear blast in the Nevada desert last Thursday. Moscow had already announced that its moratorium has ended.

Marshal Akhromeyev told a Press conference: "The political gains in the struggle for a halt to nuclear testing, for limiting the arms race, were greater than the purely military setback we suffered." He did not elaborate on the damage to the Soviet nuclear testing programme which he said would now resume.

The Soviet Union will return to its ban on nuclear testing if the US agrees to do likewise, said Mr Georgy Korniyenko, Soviet First Deputy Foreign Minister, adding that the eight-month moratorium had focused attention on the issue of testing.

He went on to say that experts believed that the best way to eliminate nuclear weapons was to have a total end to tests so "nuclear systems already in the inventories would not be upgraded, and it would become virtually impossible to develop new ones."

Although disappointed by the failure of the moratorium to elicit any response from the US, Soviet foreign policy specialists feel that they have taken the political initiative even if they have made no diplomatic gains.

Yugoslav war crime trial

AN 86-YEAR-OLD extradited from the US, Mr Andrija Artukovic, went on trial for war crimes yesterday and appeared to doze as the prosecutor read an indictment accusing him of ordering the slaughter of thousands during World War II, AP reports from Zagreb.

Mr Artukovic, former Interior Minister of the Nazi puppet state of Croatia, faces a maximum penalty of death by firing squad if convicted.

The trial is expected to run to April 30.

Mr Artukovic was flown here February 12 from the US, where he had lived for nearly 40 years. American courts ruled that he had entered the country under a false identity.

"The accused's crime, both in scale and in gravity, places Andrija Artukovic in the ranks of the greatest and most notorious war criminals, whom mankind has condemned in trials at Nuremberg and elsewhere," said the prosecutor.

Human rights groups meet

UNOFFICIAL Western human rights groups monitoring compliance with the Helsinki Final Act yesterday received a message of support from President Ronald Reagan while representatives of the 35 Helsinki signatory nations were preparing for the opening Tuesday of an official conference designed to improve "human contacts" between East and West, AP writes from Bonn.

In his message, Mr Reagan hailed the unofficial groups' efforts as a "tribute to the catalytic effect of the Helsinki process on the human rights community." Mr Reagan said he shared the groups' "deep commitment to the vigilant defence of human rights throughout the world."

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OECD warns Denmark over trade deficit

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE continuing heavy deficit on the current account of the Danish balance of payments poses a threat to the credibility of the country's medium-term economic strategy according to a report from the Organisation for Economic Co-operation and Development (OECD).

Despite repeated policy adjustments the current account deficit reached a record DKR 28bn (£2.2bn) or 4.6 per cent of gross domestic product (GDP) last year.

In its report on the Danish economy the OECD warns that a deficit on this level "is clearly unsustainable" given the already high level of Denmark's foreign indebtedness at some 40 per cent of GDP.

The steady deterioration of the current account is "the only dark spot," however, in a relatively favourable picture of economic recovery over the last three years, says the OECD.

Denmark has responded vigorously to the economic strategy adopted by the Conservative-led coalition Government in 1982 and has made considerable progress towards reducing the main economic imbalances.

The country has enjoyed buoyant economic activity with GDP growing by close to 3 per cent a year, somewhat faster than elsewhere in Europe. Unemployment and inflation have been reduced, and the state's finances have improved dramatically.

According to OECD projections only limited progress can be made in 1986 and 1987 towards reducing the current account deficit, which could total as much as DKr 21bn or 3.25 per cent of GDP this year and still be above DKr 17bn in 1987.

The OECD expects domestic demand to accelerate somewhat in 1986 with a continuation of the boom in business investment and a strong growth in private consumption. The report was compiled before the Danish Government announced its March economic package, however, which included a series of energy and excise tax increases.

The OECD report says that only "a fast and sizeable transfer of resources to the internationally competing sector of the economy" can achieve a substantial improvement in the country's external payments position without reducing the country's medium-term economic prospects.

Denmark's trade performance has been hampered by a number of unfavourable structural features with traditional sectors still dominating Danish exports.

The OECD says that it is important that Danish industry rapidly joins the league of countries that rely on a fast increase in technological level and "knowledge-intensive" production processes if competitiveness in a broader sense is to be improved.

Opec set to halt move to fix output

By Richard Johns in Geneva

THE Organisation of Petroleum *Exporting Countries* (Opec) is expected to abandon any attempt here at setting output levels for members for the second quarter of 1986 and to start concentrating, instead, on agreeing a share-out of likely demand in the second half of the year.

Before the adjournment of the conference here three weeks ago, discussion had centred on how to allocate a total of 14m barrels a day or 14.5m b/d among the 13 members according to formulas worked out by Dr Subroto, the Indonesian chief delegate, which — ingenious though they were — needed reference to heads of state and governments.

Since then there has been a lack of diplomatic activity and clearly no basis for compromise has been found. Indeed, Saudi Arabia and Kuwait are believed to favour the approach described by one delegate as "deep breath for the time being and until the next biannual Opec conference takes place towards the end of June.

By then, it is hoped, non-Opec producers might have been persuaded by the drop in prices to a level half that of six months ago to give priority to regaining market share regardless of receipts per barrel.

Against the arguments for this delaying tactic is the determination of Iran, Libya and Algeria to boost revenues by cutting production and, in particular, forcing the conservative Arab producers of the Gulf to make a sacrifice to that end.

REACTION TO LIBYAN CRISIS

EEC political co-operation tested

BY QUENTIN PEEL IN THE HAGUE

THE emergency meeting of EEC foreign ministers called in The Hague yesterday to forge a common position on the Libyan crisis represents further reinforcements of political co-operation in the Community.

It amounts to the swiftest response to an international crisis yet achieved by the 12 member states, in contrast to their normally laborious procedues. The meeting was called by the Netherlands — currently in the chair of the EEC Council of Ministers — at the request of Italy and Spain, following Libya's threats to attack targets in those countries.

For the first time it was possible to hammer out a joint reaction of the 12 before the crisis had been resolved.

All the member states are committed to strengthening and developing the process of political co-operation on foreign policy issues, in addition to their normal Community co-operation on economic and commercial questions.

Last year's conference to amend the Treaty of Rome, the EEC constitution, agreed to set up a permanent political co-operation secretariat in Brussels, to provide more efficient and consistent back-up to the process. That will be done once the treaty amendments have been approved by all the national parliaments.

The present level of co-operation is organised by officials seconded by three member states including the one currently in the chair and the *immediate past and future* chairman, according to the system of a rotating six monthly presidency. The current "troika" consists of the Netherlands, Luxembourg and the UK.

Meetings are held in the capital of the current chairman, but once the secretariat is established they will normally be in Brussels—greatly simplifying the tasks of co-ordinating and indeed publicising the process.

Although the achievements of political co-operation have not been particularly dramatic to date because of the need to reconcile often widely differing viewpoints, on international relations the member states have shown an increasing willingness to compromise in order to reach some joint positions on sensitive subjects such as South African sanctions, Central America, and the Middle East.

David Marsh adds from Paris: Gen Vernon Walters, the US ambassador to the United Nations, had 45 minutes of talks with President Francois Mitterrand yesterday afternoon to discuss joint Western action against terrorism.

The Elysée Palace spokesman said the two men discussed "the present situation in the Mediterranean" and that Mr Mitterrand reaffirmed France's determination in the anti-terrorist fight. It is extremely unlikely that Mr Mitterrand gave Gen Walters any assurance of direct French support for US reprisals against Libya.

Trans World Airlines is cancelling flights on the Cairo-to-Athens-to-Rome route that was struck by terrorists two weeks ago, an airline spokesman said yesterday, AP reports from New York. "Very poor bookings" were cited for the decision to cancel the flights.

Libyans receiving Soviet military aid

By Patrick Cockburn in Moscow

THE Soviet Chief of Staff, Marshal Sergei Akhromeyev, told a Press conference in Moscow yesterday that the Soviet Union was giving military assistance to Libya but said it would be counter-productive to give details of Soviet military aid.

Mr Georgy Korniyenko, the first Soviet Deputy Foreign Minister added that the main aim of the Soviet Union and the Warsaw Pact powers was to deter the US from "aggression against Libya." He said Soviet contacts with the US were marked by a desire to prevent any attack on Libya, but did not say at what level contacts were made.

Marshal Akhromeyev said that there are Soviet specialists in Libya "who are performing purely technical tasks." The implication of this is that no Soviet military personnel are being deployed in an operational role. Last year the Soviet Union supplied Libya with Sam-5 anti-aircraft missiles whose launching sites were attacked by American aircraft last month.

The Soviet chief of staff did not say if any Soviet personnel had ben killed or injured in these attacks but said it was evident that they faced the same dangers as Libyans.

Throughout the Libyans crisis the Soviet Union has been very careful not to commit itself to the military defence of Libya although it is giving full political support. This is in keeping with Soviet policy towards Col Gaddafi sinc the Mid-1970s.

Moscow does not have a traty of friendship and co-operation with Libya as it does with Syria, Iraq and South Yemen and has always been wary of taking responsibility for Col Gadaffi's actions.

Swedish leader visits Moscow

BY PATRICK COCKBURN IN MOSCOW AND DAVID BROWN IN STOCKHOLM

THE Swedish Prime Minister, Mr Ingvar Carlsson, arrived in Moscow yesterday for meetings with Soviet leaders in an effort to improve relations between Sweden and the Soviet Union which have cooled in recent years.

Mr Carlsson is expected to meet Mr Mikhail Gorbachev, the Soviet leader, and Mr Nikolai Ryzhkov, the Prime Minister.

It is the first top-level summit *meeting between the two* countries in over a decade. The discussions between Mr Carlsson and Mr Nikolai Ryzhkov are expected to be dominated by a number of difficult political and economic issues.

Relations between the two capitals were seriously soured following a 1981 incident in which a nuclear-armed Soviet Whisky-class submarine ran aground in restricted waters around Sweden's main naval base at Karlskrona after what were implausibly termed "navigational errors"

Suspected violations of *Swedish territory* — which according to the supreme commander in Stockholm have continued throughout the subsequent period — are expected to be a touchy time on the agenda this week.

However, the Swedish Government, *recognising* the importance of good relations with its big neighbour to the East, began the gradual process of trying to normalise relations in spite of these incidents as early as 1984 with a series of low-level ministerial exchanges.

Mr Ingvar Carlsson

More positively, however, the two countries did recently agree to restart negotiations aimed at solving a long-standing border dispute. The talks seek to establish a firm economic exploitation boundary for a disputed 600 km long zone in the Baltic Sea.

Haiti pursues Duvalier funds in Switzerland

By William Dullforce in Geneva

HAITI, following the example of Philippines, has asked the Swiss Government to ease the recovery of assets with Swiss banks belonging to its deposed President Jean-Claude Duvalier and his family.

However, neither the Swiss Government nor the Banking Commission is likely to instruct the banks to freeze Duvalier assets in the same way as the wealth belonging to former Philippine President Ferdinand Marcos and his family was blocked.

Swiss officials confirmed that representatives of the Haiti regime visited Berne, the Federal capital, last week to discuss ways of recovering Duvalier assets with Swiss banks.

Norwegian labour dispute likely to be settled soon

BY FAY GJESTER IN OSLO

AN EARLY solution to one of two major Norwegian labour disputes seemed likely yesterday. This follows resumption of talks between on-shore union and employer organisations, under the auspices of the official arbitrator, Mr Bjorn Haug.

The unions looked set to get their way on two key issues — reduction of the blue-collar working week to 37½ hours (already standard for white-collar employees) and retention of a system which puts a "floor" under the wages of *workers in low-pay industries,* such as textiles and the hotel/restaurant trade.

The on-shore conflict started a week ago, when the employers' association (NAF) declared a lockout affecting more than 100,00 workers in *five Norwegian trades and in*dustries, thus triggering the country's biggest industrial dispute for 55 years. The five areas hit are hotels and restaurants, the building trades, and the textile, heavy engineering and electro-metallurgical industries.

A separate offshore stoppage, which has shut all Norwegian oil and gas production, showed no sign of ending. A combination of strike and lock out, affecting 15,000 workers, it went into its second week on Sunday.

The five unions affected by the on-shore lockout agreed on Sunday evening to return to the negotiating table, after the employer associations concerned had approached Mr Haug and indicated that they were ready to modify their earlier stand. Bargaining went on all night and through yesterday, and by late afternoon Mr Haug said he hoped the two sides would reach agreement before the day was over.

Several companies have refused to take part in the lockout, and some have said they would resign from the NAF when the dispute is over.

● Strong criticism of safety *equipment, training standards* and working routines on Norwegian drilling rigs is expressed in an official inquiry commission report on a gas blow-out and fire on a Nerwegian rig. One man died in the accident, which happened *last October* when the rig West Vanguard, drilling a production well on Norway's Gullfaks field, hit a shallow gas pocket.

Hungary's trade problems mount

By David Buchan

HUNGARY'S deteriorating hard currency trade balance and wage inflation this year have led a senior Politburo member to warn that all the gains of the early 1980s may be wasted if the 1986 performance is no better than last year's.

Hard currency imports grew 23 per cent in the first two months of this year compared to the same period of 1985, while convertible currency export earnings rose only 6 per cent, according to official figures. But Mr Ference Havasi, the Politburo member responsible for the economy, warned industrial managers at the end of last week that to offset a first quarter trade deficit, a surplus of more than $400m was needde for the rest of the year.

The Hungarian economy hit a very rocky patch last year, when its trade surplus was balved to $300m, and its current account deficit increased to $600m and gross debt to $11bn.

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AMERICAN NEWS

Reagan bids to reverse House vote on Contras

BY REGINALD DALE, US EDITOR IN WASHINGTON

ROUND THREE of President Ronald Reagan's fight to win Congressional support for US military aid to Nicaragua's Contra rebels opens on the House of Representatives floor today, with Mr Reagan hoping to reverse last month's defeat of his $100m (£68.4m) aid package.

Mr Reagan's task is likely to be seriously complicated, however, by a complex voting procedure worked out by Mr Tip O'Neill, the Democratic House Speaker, who is an ardent opponent of the Administration's Central America policy.

The voting rules proposed by Mr O'Neill could tie Mr Reagan's aid plan to a $1.7bn supplementary spending bill which Mr Reagan opposes, and which senior White House officials would like him to veto. Linking the two measures could also cause delays in the Senate, which has already approved the Contra aid package in a separate vote.

Mr O'Neill's tactics for obstructing the aid plan also *provide for the House to vote* on two alternative proposals before discussing Mr Reagan's. One would simply provide $27m for Nicaraguan refugees, with no military aid; the other would require further votes in both House and Senate before Mr Reagan's plan could be fully implemented, a proposal that Mr Reagan has strongly opposed.

Mr Reagan's plan was rejected by the House by 222 votes to 210 last month, before being approved by 53 to 47 in the Senate.

It would release $25m immediately for non-military assistance and defensive weapons, such as shoulder-fired Stinger anti-aircraft missiles, with $75m in military aid withheld until July, to give negotiations a last chance.

The Administration is hoping that two recent events in Central America will persuade enough members to change their votes and rally to Mr Reagan this time round. These are last month's Nicaraguan incursion into Honduras to destroy Contra base camps and Nicaragua's latest stand in the Contadora Central American peace negotiations.

Mr Reagan's opponents yesterday latched on to a report that the Central Intelligence Agency (CIA) had continued providing secret political support to the Contras after Congress banned military aid in 1984.

Government officials said that the CIA had supplied several million dollars in the past year to pay Contra officials and supporters, open offices in Europe and Latin America and finance foreign trips to promote the rebel cause.

The CIA insisted that it had fully complied with Congressional restrictions. Some Democrats, however, said that they were astounded by the extent of the CIA's direct involvement with the Contras, which showed that Mr Reagan's $100m would simply give the CIA a bigger budget "to play war in Central America."

Hondurans warn of threat

Younger Honduran military officers are complaining that the US-backed Contra rebels could pose a threat to Honduras if they get $100m (£68m) in aid sought by the Reagan Administration, Newsweek magazine reported yesterday.

The report said the officers, many of them field commanders, doubt that the Contras can defeat Nicaragua's Sandinista Government and fear that if Nicaragua crushes the insurgents or US aid is cut off, the rebels could turn on Honduras.

Turks and Caicos inquiry to cover three topics

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

A PUBLIC inquiry is due to begin today in the British Caribbean dependency of the Turks and Caicos Islands into the circumstances surrounding the arson of public buildings and alleged corruption in the administration.

The arson happened last New Year's Eve, and has already been the subject of a police investigation. However, the British Government has taken the unusual step of initiating a broader public inquiry.

The only public reference to the inquiry and the arson has been in a brief written answer to a parliamentary question before Easter. The Foreign Office is not elaborating on this statement.

The inquiry covers three topics: the fire in a government building on the sea front of the dependency's capital, Grand Turk, and the possibility of a "conspiracy" to damage other buildings; allegations of corruption in the Public Works Department; and "any other matters."

Mr Louis Blom-Cooper, QC, will lead the inquiry, which is expected to last about six weeks.

The brief is expected to include a thorough look at the administration of the islands and their political position following last year's imprisonment of Mr Norman Saunders, the former Prime Minister, on drug offences in the US.

GM renews cut-rate financing programme

By Terry Dodsworth in New York

GENERAL MOTORS, the leading US car manufacturer, has re-introduced a generous cut-rate financing programme in an effort to stimulate sales and reduce the impact of a 2.9 per cent average price increase due to begin this week.

The decision to offer financing rates as low as 6.9 per cent, the most generous ever proposed by GM, comes at a time when the company's sales are flagging by comparison with Ford, its main competitor.

There are signs that the aggressive promotional campaigns last year, which included loan rates of 7.7 per cent, have conditioned buyers *to a state of mind where they expect a financing inducement* from the car manufacturers.

US producers are continuing to build cars at rates close to last year's near-record levels. Although General Motors has recently cut production of some models, the combination of high output and slow sales has caused a build-up of stocks.

GM's promotion effort however, has not met with universal approval among its dealers, because it is not offering one single low financing rate.

The 6.9 per cent is only available on 30-month loans for certain cars. Longerterm loans will have higher rates of up to 11.9 per cent on 60-month contracts, although it will be possible for customers to buy most models on 36-month contracts at a 7.9 per cent rate.

Ford and Chrysler, the third of the big US car groups, have not yet made any response to GM's move.

Since they have not announced a price increase of the kind introduced by GM, they should not be under as much pressure to provide cut-rate financing.

Some dealers believe they will need a promotional scheme, however, since cheap financing is an appealing theme to sell to clients.

Shcharansky reassured

Canadian Foreign Minister Joe Clark left Israel yesterday after promising human rights activist Mr Anatoly Shcharansky that Canada will keep fighting for the rights of Jews to emigrate from the Soviet Union, AP reports from Jerusalem. Mr Clark also advised the freed dissident not to push himself too hard and to rest from his nine-year ordeal in Soviet prisons and labour camps.

Mr Clark later said he believed Canada's pressure on the Soviet government "had something to do" with Mr Shcharansky's release in an East-West prisoner exchange four years before his sentence was completed.

Stewart Fleming in Washington reviews last week's IMF and World Bank meetings

Baker's tough line on Third World debtors

THE REAGAN Administration's negotiating style, whether dealing with the Congress or the Kremlin, can be quickly characterised: Take a tough line, stick to it as long as possible and only make concessions when you sense you are on the verge of an acceptable settlement.

At the Interim and Development Committee of the International Monetary Fund and the World Bank last week the heavily indebted developing countries became the latest negotiating partners to face this obdurate style of problem solving.

Last October, Mr James Baker, the US Treasury Secretary, appeared in *the guise* of conciliator at the annual meetings of the IMF and the Bank. There he offered middle income, mainly Latin American, developing countries a so called "Baker Plan" as a framework for trying to resolve the debt crisis — a plan placing more emphasis on reviving economic growth and boosting official and commercial bank lending to the Third World.

What has become increasingly clear in recent weeks, however, is that Mr Baker wants to see evidence that the developing countries are fulfilling their side of the bargain he proposed — namely committing themselves to painful domestic economy policy reforms before delivering the sustained increases in finance he has promised.

Behind this stance appears to be the judgment that if the revised debt strategy is to work, borrowers must be seen to be ready to make the toughest political choices. Without root and branch economic reforms, so the argument runs, no amount of new finance will bring about the sustained economic growth in countries like Mexico and Argentina which is essential for resolving *their debt problems*.

The first victims, if that is the right word, of this tough stance were the Mexicans. When Mexican officials came to the US in February, insisting that they would need $8bn or $9bn more in new money this year to help offset the slump in oil export earnings, there were widespread expectations that another rescue package would be put together by the US for its strategic southern neighbour.

Mr Baker made it plain he was in no hurry to put such a package together and Mexico has scaled back to $6bn its target for new finance. It is in the thick of negotiating new economic adjustment programmes with both the IMF and the World Bank (the former could be completed by next month). Mr Jesus Silva-Herzog, the Finance Minister, is boasting that the stricter monetary policy that has been put into effect is showing signs of reversing the capital flight which gave commercial bankers such a nasty shock last year.

The World Bank is expected today to approve a $250m (£174m) loan for Colombia which, officials say, is a further indication of the progress the Bank is making in implementing the Baker Plan for easing the third world debt crisis, writes Stewart Fleming.

A year ago, even before Mr Baker had endorsed the idea that the Bank should boost its lending to middle income developing countries through loans conditioned on economic policy reforms, the Bank approved a $300m agricultural loan linked to a renewal of about $1.5bn of commercial bank lending.

One controversial aspect of the arrangement was that the International Monetary Fund would monitor macro-economic targets the Colombian Government set, even though it was not providing any funds.

The new loan represents a continuation of the concerted action by the World Bank, the IMF and commercial banks.

It is being described by officials as "the Baker process in action," and calls, they say, for a deepening of the economic reforms to which Colombia has committed itself.

As last week's meetings drew to a close, it was clear that it is not just Mexico which is feeling a US Treasury Secretary who insists that developing countries must help themselves *if they are to get more help from their creditors*. Barely a single concession from the industrial world floated to the surface in the discussions in Washington.

Cold water was once again poured on the idea of another allocation to developing countries of special drawing rights (SDRs)—IMF-created reserves. The idea of creating some form of compensatory finance facility to help debtors deal with special factors, such as plunging commodity prices or rising interest rates, was again given short shrift, a capital increase for the World Bank is being kept on the back burner, even though there are signs that the Bank is boosting its lending more rapidly even than Mr Baker envisaged last October.

Mr Baker: wants evidence of change

It should be added that even hard-line Administration officials, when they talk about the Bank, are adopting a more indulgent tone of voice now, perhaps because Mr Baker is about to see his own man, Mr Barber Conable, in the president's chair.

Another indication of the tough bargaining position Mr Baker is adopting, with the backing of other industrial countries, was the signal to Brazil that it could not expect to reschedule its debts to governments through the "Paris Club" if it did not first come to some agreement with the IMF.

The text of the speech which the US Treasury said Mr Baker delivered to the meetings, underlined the tough approach. Borrowers were told in no uncertain terms that they had not done enough to reform their economies and Mr Baker indicated that he expected the far-from-popular IMF to help them do more.

One of the foundations on which this approach is being built bears thinking about. It is Mr Baker's contention that, as a result of falling interest rates and oil prices, as well as the solid economic growth he *expects* in the industrial countries "during the next two years developing nations will face the best external environment since the early 1970s."

That promise, for that is all it can be at this stage, is one which leaders of other governments in the industrial world will not have overlooked, for it is clear Mr Baker has his own reasons for wanting to live up to it.

It is not just hard-pressed middle income borrowers who will benefit from rapid industrial country growth. Mr Baker himself, fearful that huge US trade and current account deficits will finally plunge it into an economic crisis and explode his friend Vice President George Bush's hopes of succeeding President Ronald Reagan, is pressing European countries and Japan to speed up their growth. This, so the argument runs, will boost US exports and limit the extent of the dollar devaluation needed to correct the trade deficit.

In their calls for free trade and sustained economic growth in the industrial countries, Third World borrowers thus have an ally in Mr Baker. It remains to be seen, however, whether one can achieve this ambitious agenda, in particular whether one of the keystones for success, the resumption of commercial bank lending to debt-ridden countries, can be put in place. On this score the signs so far are not very encouraging.

Oil price fall 'to help Canada'

BY FRANK GRAY

THE CANADIAN Government is relying on the economic boost that will arise from the fall in energy prices to more than offset the decline in revenues *from that sector*, Mr Michael Wilson, Canada's Finance Minister, said in London yesterday.

The continuing weakness in energy prices will depress the economies of British Columbia, Alberta and Saskatchewan, and will add to the high levels of unemployment in those three western provinces, he said.

But this will be more than counterbalanced in the larger population centres of central and eastern Canada by the fall in energy costs, downward pressure on interest rates, and an easing of inflationary pressure.

Costs of manufacturing are expected to drop and this, in turn, will help boost domestic sales and exports, the latter of which amount to 30 per cent of gross national product.

These overall positive effects means Canada will not need a mini-budget to correct the economic directives laid down in Mr Wilson's annual budget statement of last month.

Mr Wilson, in London en route to a meeting of finance ministers representing the Organisation of Economic Co-operation and Development (OECD) in Paris later this week, said there is a misunderstanding on the importance of *the oil and gas sector to the economy*.

A special energy tax is expected to contribute C$800m (£396m) in revenues to the Treasury. But a fall in interest rates inherent in the Government's budget deficit cutting measures and tax increases will sharply reduce its own interest costs for the next year.

"Some $120m in Government debt is *rolled over each year*," so a 1 per cent fall in interest rates amounts to a $1.2bn savings on interest," Mr Wilson said.

Mr Wilson said that Canadian business had become more positive in recent weeks about the budget, after initial concerns that it did not go far enough in cutting the government budget deficit and was too strong in tax increases aimed mainly at the middle income groups. The value of the Canadian dollar *against* the US dollar had strengthened after initial uncertainty, he said.

The budget aimed to bring down the federal deficit from 7.6 per cent of GNP in the fiscal year ending March 31 to 6 per cent next year and 3.4 per cent by 1990-91.

Mr Wilson expressed enthusiasm about the new liberalised investment atmosphere in Canada and was hopeful trade talks with the US aimed at eliminating or reducing existing trade barriers would end in an agreement before the next Canadian election, not expected for at least two years.

He was concerned that other wrangles between the US Congress and the Reagan administration had enveloped the proposed Canada-US trade pact but said that the atmosphere in Washington about the future of the pact "was too fluid to predict" at the moment.

Number of US oil and gas rigs falls to 15-year low

BY WILLIAM HALL IN NEW YORK

THE NUMBER of active oil and gas drilling rigs in the US fell by 70 to 917 last week, the lowest level in nearly 15 years, underlining the dramatic drop in US exploration activity following the recent collapse in oil prices.

Hughes Tool Company, whose weekly figures on rotary rigs are one of the most closely watched barometers of the health of the US energy industry, reported yesterday that the number of active rigs dropped to its lowest level since June 1971 when 900 rigs were operating.

A year ago, 1,860 rigs were operating in the US and at the peak of the oil and gas boom at the end of 1981, some 4,530 rigs were operating.

Although many rigs have been scrapped and few are being built, there are still around 4,000 available to drill for oil and gas. The surplus has caused a shakeout and financial problems among the US oil service companies many of which are fighting for survival.

Hughes, which has been collating the figures for over 40 years, says the lowest rig count was 814, recorded in 1971. Many analysts believe a new low will be recorded shortly if oil prices do not recover.

Many oil companies halt drilling wells when oil prices fall below $20 a barrel.

The biggest drop in the rig count was in Texas where the number of active rigs dropped by 27 to 309 last week. A year ago there were close to 700.

The number of rigs operating in Oklahoma dropped by 15 to 145 last week. This compares with a figure of 250 a year ago and a peak of 882 in early 1982 at the height of the last drilling boom.

The number of rigs operating in Louisiana, which has been among the states hit hardest by the *oil price collapse*, fell by 6 to 150 rigs last week. A year ago there were 291, of which 136 were operating offshore.

OVERSEAS NEWS

Israeli drama propels unlikely minister to the fore

BY ANDREW WHITLEY IN JERUSALEM

SUNDAY NIGHT'S last minute decision by Israel's warring coalition partners, to appoint Mr Moshe Nissim, the Justice Minister, as the country's new Finance Minister was in keeping with the tragicomic nature of the 10-day political drama.

As the coalition National Unity Government teetered on the verge of collapse over a bitter policy dispute, between Prime Minister Shimon Peres and Mr Yitzhak Moda'i, the former Finance Minister, desperate attempts were made to come up with a face-saving formula acceptable to all sides.

Mr Peres was determined to keep Mr Moda'i out of the Finance Ministry for the rest of the Government's life while the Likud bloc, Mr Peres' coalition partner, was equally determined to resist losing one of its key posts. In the end, the most politically expedient solution—though not the most logical in terms of the background of the individuals concerned—was for Mr Moda'i simply to swop posts with Mr Nissim.

Son of a Sephardi (oriental Chief Rabbi), Mr Nissim's training first in a yeshiva, or theological school, and then in law at Jerusalem's Hebrew University, is unlikely to be of much use in grappling with the intricacies of Israel's complicated economy.

To give credit, Mr Nissim was a most reluctant candidate for the post. He did not want to leave the Justice Ministry, where he had served for the past five years.

As he candidly said yesterday: "Colleagues appealed to me all day and pleaded with me to do this: everything in an effort to permit the continued existence of the Government. I didn't want to. I looked for other ideas perhaps better ones. But circumstances led to this being the only way out and there was no other way but to agree."

Among those circumstances was the fact that Mr Nissim is a prominent member of the Knesset branch of the Liberals, an independent faction of the right-wing Likud bloc. By simply arranging a switch of posts with Mr Moda'i, the Liberals were able to preserve their representation in the coalition Government.

Bewailing the way in which Mr Moda'i, generally regarded as one of Israel's most successful Finance Ministers of recent years, was forced out of his post, Mr Nissim admitted that *his own lack of an economic* background would "make things more difficult."

"There is a chance I can learn and I have a will to meet the challenge," he said.

The first and biggest challenge will be to come to terms with and then publicly defend, an economic recovery programme, the new finance minister voted against in the Knesset last July, when it was presented as virtually the last chance for an economy facing bankruptcy.

Implementation of the second stage of the programme—involving a new wage limitation agreement with the Histadrut (the trades union federation) and further budget cuts—is now overdue.

What Mr Nissim does have on *his side is that, unlike many of* his colleagues he is mild mannered and conciliatory—a peace maker with few enemies. Whether he proves to be anymore than a light weight stopgap in what is traditionally a hot political post remains to be seen.

Inexperienced Moshe Nissim becomes Minister of Finance

Controversial Yitzhak Moda'i becomes Minister of Justice

More killed in South African violence

SOUTH AFRICAN police said yesterday that 14 more blacks had been killed in unrest, *including five shot by* policemen and nine burned to death in their huts, AP reports from Johannesburg.

In Port Elizabeth, police said a white home had been fire-bombed by blacks—the first such attack reported in the area around the costal city in more than a year and a half of unrest.

Lt Col Gerrie Von Rooyen said the house in the suburb of Walmer, across a railroad track from a black neighbourhood, was not seriously damaged and no one was hurt in the attack on Sunday night.

At the medical university of southern Africa, north of Pretoria, officials said several hundred black students who have been protesting the presence of two *white students* went *on the* rampage on Monday, breaking windows of the administration building and overturning a security officer's car.

The school's 1,078 black students boycotted classes all last week to protest the presence of two whites who were reinstated in compliance with a court order.

One of the *whites*, Mr Darryl Wilke, has decided to leave the school, but the other, Mr Pieter Kruger, intends to stay on, their lawyer, Mr Bredenkamp, said yesterday.

Police headquarters in Pretoria said a total of 20 huts were burned down on Sunday in the township of Mooiplaas, near East London on the *Indian Ocean coast*.

Peking executes official in car imports secrets case

BY ROBERT THOMSON IN PEKING

A CHINESE business official was executed yesterday for passing "state secrets" and accepting bribes during negotiations with foreign companies in a case diplomats say is intended as a warning to both Chinese and foreigners.

The official, Zhang Changsheng, 31, an employee of the China Minority Nationality Economic and Cultural Development Corporation was accused of telling foreign and Hong Kong businessmen important state secrets relating to the importing of cars.

Another more-senior official, Ye Zhifeng, 40, a deputy section chief of the State Economic Commission's import and export bureau, was sentenced to 17 years imprisonment for passing secrets and receiving bribes, though not as many as her executed compatriot.

The case, reported by the official Xinhua news agency, comes in the middle of an official anti-corruption drive and only several months after Communist Party leaders publicly condemned their countrymen for being led astray by foreigners in business dealings and compromising the country's dignity.

A diplomat said there is no doubt that the sentences were "an example" to all Chinese and foreigners doing business in *China* and that "state secrets" can be almost any piece of information that has not been reported in the Chinese news media.

According to a court judgment, Xinhua, said that both Zhang and Ye abused their power by putting pressure on a Chinese company conducting negotiations *with a foreign* firm over the importing of cars and forcing the company to accept the foreigner's price.

The court is also said to have *found that* Zhang and Ye discovered that China was to change its policy on car imports and told a Hong Kong vehicle exporter to get around the change by back-dating a contract with a Chinese company.

Zhang is alleged to have received bribes of about $256,000, plus various consumer goods, and given bribes to Ye of about $5,000. Ye is also said to have accepted an air-conditioner and other equipment directly from Hong Kong businessmen.

The offences allegedly took place between November 1984 and November 1985. A closed trial started on March 7 in the Peking *intermediate* court, and judgment was delivered on March 27. Zhang and Ye lodged appeals which were turned down by the higher people's court of Peking. The death sentence was *handed* down and carried out yesterday.

Conservative parties lead in Sudanese election

BY JOHN MURRAY BROWN IN KHARTOUM

SUDAN'S two conservative parties, Umma and the Democratic Unionists, were yesterday closely contesting the lead according to early results in the country's first multi-party elections for 18 years.

The Democratic Unionists, which advocate union with Egypt, were ahead with 13 seats, followed by Umma with 12. At stake are 264 seats in the country's 301-member constituent assembly. Elections have been postponed in 37 of the 68 constituencies in the south because of the guerrilla war waged by the Sudan Peoples Liberation Army (*SPLA*).

The third major party in the elections, the fundamentalist Islamic Front, suffered a major setback when its leader, Dr Hassan Turabi, lost his *Khartoum seat*.

● Sudan's Central Bank yesterday announced a 16 per cent devaluation of the Sudanese pound, which will now trade at S£2.9 to the dollar. The new rate applies only to exports

Malaysia denies reports on debt

BY WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMED, the Malaysian Prime Minister, has denied reports which quoted him as saying Malaysia was seeking a rescheduling of its external debts of Ringgit 43.6bn ($16.7bn) owing to the sharp fall in prices of its export commodities and the depreciation of the local currency.

In a statement yesterday he said he had been misquoted, and gave an assurance that the Malaysian Government would honour all its loans, and repayments would be made on time.

News of the so-called rescheduling caused considerable confusion on the Malaysian foreign exchange market, and the Finance Ministry was flooded with calls from international bankers

The problem arose when Dr Mahathir addressed a businessmen conference here over the week-end. He spoke in the Malay language about the country's economic slowdown, and the increased burden on the government to service its external debts because of the fall in prices of export commodities, and the depreciation of the ringgit.

According to the Malaysian Central Bank annual report, released two weeks ago, the country could lose between ringgit 6bn and 8bn in export revenue this year due to depressed commodity prices.

The recent sharp fall in the ringgit has also added greater burden on servicing the country's external debts of which two thirds of which are expressed in US dollars and 17 per cent Japanese yen.

The ringgit fell by 8.6 per cent against its composite basket of currencies last year, and it had since fallen by another *10 per cent*.

China needs further import cuts to meet trade goal

BY ROBERT THOMSON IN PEKING

CHINA'S trade growth slowed significantly in the first quarter of this year, but further cuts in imports will be necessary in coming months if the country is to meet its goal of a fall in total trade in 1986.

The Ministry of Foreign Economic Relations and Trade (Mofert) reported exports of $5.87bn (£4.1bn) in the first quarter, a 13.6 per cent increase on the same period in 1985. The ministry refused to reveal import figures for the same period and only noted that total trade volume rose 6.3 per cent.

Mofert confirmed, however, that China's oil export earnings, which last year accounted for about 25 per cent of export income, fell 30 per cent in the first three months.

Chinese officials had predicted a small decline in oil revenue in the wake of the oil price slump.

The ministry said imports of raw materials rose sharply, with rolled steel purchases increasing by a third and timber imports jumping by 37.5 per cent, while motor vehicle imports were cut by 50 per cent and consumer goods by two-thirds.

Export increases were said to have been recorded in agricultural products, textiles, chemicals and light industrial goods, which Chinese leaders have been recommending to visiting leaders as "a good buy."

The state plan calls for a total trade volume this year of $56.8bn, down on Mofert's valuation of 1985 trade at $59.21bn, and well down on the State Statistical Bureau's 1985 estimate of $69.79bn.

The fall follows a trade deficit last year of $7.6bn, according to Mofert, while the Customs Ministry estimated a deficit of almost double that.

If the state plan is to bet met, tougher import restrictions will have to be introduced in coming months. The State Economic Planning Minister, Song Ping, has already foreshadowed that China will "ban the import" of products that can be made domestically.

W. Germans win DM 125m coal facility contract

BY RUPERT CORNWELL IN BONN

PHB Weserhuette (PWH), the West German bulk handling company, has won a DM 125m (£32m) contract to supply a complete coal transfer and loading facility, as part of the Chinese Government's plans to expand the port of Oin Huangdao, to the east of Peking.

The order, which PWH claims to have won against fierce competition from Japanese suppliers, is believed to be the largest important contract placed by the Chinese to be financed entirely out of Peking's resources without the aid of foreign export credits.

Work on the facility will be carried out by the end of 1988, by PWH and its local partner, the China Harbours Engineering Company (Chec)).

The coal will be shipped from Qin Huangdao to the industrial region in the south around Shanghai, where PWH is already installing a continuous coal unloading facility.

PWH said it will be taking a "substantial stake" in a new joint venture company, due to be set up and with headquarters in China.

The company will work on projects for harbour loading and materials handling in China and abroad. Its partners will be CHEC and the Ministry of Communications in Peking.

● The West German Reconstruction Loan Corp said it is lowering interest rates charged for loans taken out under its export financing programme.

Interest rates on contracts worth up to DM 105m will be lowered to 6.77 per cent from 7.01 per cent with effect from today. Rates on contracts worth more than DM 105m will be lowered to 7.62 per cent from 7.87 per cent.

Peking offers Washington satellite launch services

BY DAVID DODWELL IN SHENZHEN, CHINA

CHINA RECENTLY sent a delegation to the US offering satellite launching services, Cheng Liangchang, Vice Minister of the Astronautics Ministry, revealed in Shenzhen.

The visit came shortly after the space shuttle disaster which has brought a temporary but damaging halt to America's satellite launch programme.

In February, China's Astronautics Ministry made a major commercial breakthrough when it signed an initial agreement with Sweden to launch one of its satellites, and talks with other governments are in progress. China has launched 18 civilian satellites of its own from its main launch site in Sichuan Province.

Vice Minister Cheng was speaking in Shenzhen at China's first high-technology fair aimed at exporting the civilian applications of its defence industry system.

Promotion of China's satellite launching services, using its Long March II and III rockets, played a prominent part in the fair.

The drive to export sensitive military-linked equipment comes almost two years after Deng Xiaoping, China's octogenarian leader, announced major cuts in military spending and ordered arms manufacturers to shift into civilian production.

The 10-day technology fair in Shenzhen, the Special Economic Zone adjacent to Hong Kong, is being attended by ministers from all China's defence industry ministries.

Such strong political backing isthought to signal fresh endorsement from Peking of the experimental economic policies being followed in Shenzhen.

This follows criticism that it was harbouring currency speculation and black marketeering, and was emphasising property development and trading rather than manufacturing for export.

The attack on Shenzhen, the largest of China's four special Economic Zones, was seen as a challenge to China's open door economic policies.

Coinciding with the fair, Gu Mu, China's State Counsellor responsible for Special Economic Zone development, said in Peking that Shenzhen had boosted exports from 33 per cent to 48 per cent of industrial output between 1984 and 1985.

He said Shenzhen had, with other zones, attracted $6bn (£4.2bn) in investment in 1985—twice the amount of 1984.

The technology fair is promoting the products of more than 390 Chinese corporations

Bulgaria minister attacks CoCom curbs on trade

BY PATRICK BLUM, RECENTLY IN SOFIA

BULGARIA'S foreign trade in the next few years will grow sharply with its Comecon partners, but its trade with the West could remain seriously inhibited by restrictions on exports of sensitive technologies to Communist countries, Mr Hristo Hristov, the Trade Minister, says.

Co-operation with Western companies is hindered by protectionist measures and a "policy of embargo," Mr Hristov said. "We want to buy high technologies and up-dated equipment, but if we can't get them, we'll develop them ourselves in co-operation with our Comecon partners."

He attacked the policies of the Paris-based Co-Com which vets technology transfers to communist countries.

Bulgaria desperately needs to modernise its telephone network, and it has been negotiating for some years with several West European and Japanese companies over a new exchange for Sofia, the country's capital. Co-Com objections have, until now blocked the sale.

Bulgaria's trade with Comecon will grow by about 40 per cent during the current five-year plan (1986-1990), rising to Roubles 100bn (£88bn) including trade worth Roubles 70bn with the Soviet Union, Mr Hristov said.

He added that Bulgaria's new five-year plan would offer considerable opportunities for Western companies but that the growth of trade with the West would depend on the East-West politcl climate.

Despite the restrictions, Mr Hristov saw hopeful signs in trade with the West. Trade with non-Socialist countries reached a record level last year, rising from Leva 5.7bn (£4bn) in 1984 to Leva 6.4bn last year. West Germany remains Bulgaria's largest trading partner in the West. Britain has moved to second position after a sharp growth in exports to Bulgaria.

The growth of trade, however, left Bulgaria with its first trade deficit with the West for the past five years.

Bulgaria's tota ltrade rose 7.4 per cent last year to Leva 27.7bn with a 5.8 per cent increase in exports and a 9 per cent increase in imports. The Comecon countries accounted for 75.6 per cent of trade.

Irish leasing group in $225m US jets deal

By Michael Donne, Aerospace Correspondent

IRISH AEROSPACE, the aircraft leasing company jointly owned by GPA Group and McDonnell-Douglas of the US, has arranged a $225m (£160m) 12-year credit for the purchase of 12 McDonnell-Douglas MD-83 twin-engined jet airliners.

The aircraft will be delivered over the next year. The cash is being provided by 10 major banks from North America, Europe and Japan.

Lead-managers are BankAmerica Capital Markets Group, Bankers Trust, Morgan Guaranty Trust of New York and National Westminster Bank.

Other participants are the Long-Term Credit Bank of Japan, Mitsubishi Trust and Banking Corporation, Toronto Dominion Bank, Amsterdam-Rotterdam NV, Chase Manhattan Bank, and Security Pacific National Bank.

Irish Aerospace was formed in 1984 by GPA and McDonnell-Douglas to provide world-wide operating leases of the MD-83 aircraft. So far, Irish Aerospace has bought 19 of these aircraft, holds options on six more, and is negotiating for another 15.

The company has leased five of its 1986-delivered aircraft in the Caribbean and the US.

Zambia acts to restore trade credibility

BY PATTI WALDMEIR IN LUSAKA

THE ZAMBIAN Government, which is implementing one of the toughest economic reform programmes in Africa, is taking steps to clear a $430m backlog of short-term external debt arrears. The aim is to restore the country's damaged credibility with its international trading partners and prospective investors in Zambia.

The Bank of Zambia, the central bank, is proposing to settle some 40,000 claims in the so-called "pipeline" of short-term arrears, some of which date back to the late 1970s. It will issue promissory notes for the larger items while making direct repayments of the vast number of smaller trade claims involved as well as personal remittances owed to individuals.

Government's commitment to tackle the arrears after several years of inaction comes when the country is going through its worst economic crisis since independence in 1964. The external payments situation is perilous: without rescheduling, debt service due in 1986 would consume a crushing 83 per cent of export earnings.

The Bank of Zambia's plan for dismantling the pipeline, was published in preliminary form last month and formal offer documents are due to go out in May. The plan is part of an IMF-supported economic reform programme aimed at restructuring the economy, currently dependent on copper and cobalt exports for 95 per cent of hard currency earnings.

Dr Kenneth Kaunda, the Zambian president, has recently replaced the economic team which drew up the reform programme, reshuffling his minister of finance, central bank governor and presidential economic adviser. Government officials stress, however, that the motive of the reshuffle was political and that they expect no major changes to the programme.

Foreign private investment in agriculture could play a major role in the recovery effort, but Zambian officials concede that investors will inevitably be put off by the Bank of Zambia's failure so far to remit foreign companies' legitimate profits and dividends which have been blocked in the pipeline.

To deal with this problem, the Bank of Zambia and its advisers, UK merchant bank Morgan Grenfell and Co, and accountants Peat Marwick Mitchell and Co have devised a plan involving the issuance of US dollar-denominated promissory notes. The terms of the offer to pipeline creditors, which have yet to be finalised, are expected to be:

● Early next year, promissory notes are to be issued with maturities spread over a nine-year period from 1988. The notes will be issued for the principal amount of "pipeline" debt (subject to reconfirmation against commercial bank records in a database set up by the advisers). The notes will carry a single maturity date determined by the date debt entered the pipeline, on a first-in first-out basis. Interest will be paid at 5 per cent per annum for the period from the date of note issue to the date of repayment.

● A large number of smaller claims, of under $3,000 to $4,000, are to be settled in full in 1987 (no notes will be issued). The advisers estimate that up to half of the total number of trade creditors fall into this category.

● Personal remittances, which include such items as end of contract gratuities, are to be cleared beginning in 1987. The aim is to repay all such creditors by the end of 1989 on a first-in first-out basis.

President Kaunda . . . plan expected to stay on course

Officials say that although they do not expect any major changes in the offer with the appointment of a new Bank of Zambia governor, Dr L. S. Chivuno, in the recent reshuffle, it could lead to a delay in the despatch of offer documents.

Zambia's advisers estimate the total pipeline at $430m, but this excludes more than $100m in overdue letters of credit owed to international banks which are not covered by the central bank's proposals. Had Zambia agreed to pay interest on the arrears from the original maturity date, rather than from the date of note issue, the country would face a total short-term arrears backlog, including bank debt, of some $700m, say economists.

Zambia's projected foreign exchange revenues would not allow payment of full post-maturity interest, says the Bank of Zambia. But local bankers and businessmen say there must be serious doubts over whether the bank can meet even the more limited repayment schedule, involving some $40m per year over the next decade.

Much will depend on whether a $300m rehabilitation programme for the mining industry succeeds in boosting output.

According to Bank of Zambia officials, the precarious nature of Zambia's external payments position makes a firm commitment to a repayment timetable impossible.

Government officials admit that any failure to issue the notes as planned or to repay them on time would do little to improve the country's poor international reputation.

But, according to bank officials, the pipeline creditors are aware of the constraints Zambia faces and have reacted well to preliminary soundings on the proposed offer.

Morgan Grenfell also reports a positive creditor response but UK merchant bankers Lazard Bros, which represents 16 major creditors holding some $30m in claims, have strongly criticised the offer on the grounds that its terms are worse than those agreed recently with the "Paris Club" of creditor governments.

It is understood that there will be at least two other options for pipeline creditors who do not opt for the note issue: creditors willing to accept a heavy discount of around 3:1 may still be able to arrange settlement on a case-by-case basis through their commercial bank and the Bank of Zambia and re-invested pipeline funds will continue to attract benefits. These include the possibility that funds can be withdrawn for re-investment at a much more favourable exchange rate than when the debts entered the pipeline.

UK NEWS

City self-regulatory bodies to be refused exemption from law

BY BARRY RILEY

THE GOVERNMENT intends to reject requests by self-regulatory organisations (SROs) for general exemption from litigation on the basis to be enjoyed by the new top regulatory body for the investment markets, the Securities and Investment Board (SIB).

Mr Michael Howard, a junior minister at the Department of Trade and Industry who is guiding the Financial Services Bill through Parliament, said yesterday that it would be "a very serious step to take to interfere with the normal workings of our law."

SROs, led by the international dealers' body Isro, have been pressing for immunity, and have threatened that it may be difficult to persuade market practitioners to become members of SRO councils if they are faced with the possibility of legal action, for instance for negligence or malice.

There was no case for giving complete immunity to SROs against suits from the public, Mr Howard argued. As for actions by members of the SROs, it ought to be possible to make it a condition of membership that members had to undertake never to sue their SRO.

Mr Howard added, however: "There are specific aspects of this question which do warrant careful consideration. It may be that I will be able to take some steps which meet at least some of the concerns of the SROs."

But he made it clear that he was unwilling to treat SROs in the same way as the SIB, which as a designated agency would be at the core of the new regulatory system and was in a very exceptional category.

Mr Howard was also negative about pressure from some SROs to include a definition of professional investment status in the bill.

He was not convinced about the need to include this definition in the legislation, rather than leave it to be spelt out in the rule-books of the SROs. But he was fully aware of the need for professional markets to be regulated in a different way from markets in which ordinary members of the public were involved.

Tory campaign against Labour spending plans

BY PETER RIDDELL, POLITICAL EDITOR

A CONSERVATIVE Party poster campaign attacking the Labour Party's public spending plans is being launched today and tomorrow at about 250 sites throughout Britain.

The campaign, authorised by Mr Norman Tebbit, the Conservative Party chairman, will be seen as direct evidence of his recent remarks that for him the general election campaign has started.

The 6m by 3m poster shows a finger pointing at the viewer with the caption: "Labour plans to spend an extra £24bn a year. Guess who would pay?" Readers are invited to write for further information to Mr Tebbit.

A Conservative Party statement said yesterday: "Labour has tried unsuccessfully to wriggle out of the shattering effect of its spendthrift programme. But the truth is that they have been rumbled."

Mr Tebbit had authorised the poster to emphasise "the serious consequences of Labour ever having the opportunity to put its plans into effect."

The Labour leadership has repeatedly challenged the estimate that its plans would cost £24bn a year as estimated by Mr John MacGregor, Chief Secretary to the Treasury.

It has argued that Labour's detailed spending proposals have been carefully costed within a disciplined framework.

The poster was designed by Tory Party advisers Saatchi and Saatchi and is similar to those produced before the 1979 and 1983 general elections.

Disciplinary hearing on journalists' leaders

BY HELEN HAGUE, LABOUR STAFF

THE EXECUTIVE of the National Union of Journalists yesterday decided by one vote not to instigate immediate disciplinary proceedings en masse against nearly 600 journalists who are working inside News International's plant at Wapping east London in defiance of a union instruction.

However, it also set up a panel to hear disciplinary complaints already laid by the union's London freelance branch against the four NUJ fathers of chapel (shop stewards) inside the plant.

The executive voted 13–12 to keep a call for it to bring complaints against Wapping journalists under the union's disciplinary rule 18 "on the table."

The decision was reached after a three-hour debate. The executive then voted by 13–11 to establish a committee from its ranks to hear complaints against the chapel fathers at The Times, The Sunday Times, the News of the World and The Sun, which have already been sanctioned by London freelance branch.

The bulk of News International journalists have reported for work at the Wapping plant since the company switched production of its titles there, and dismissed 5,500 printers 2½ months ago. They have not heeded the union's call to respect NUJ picket lines set up after a handful of journalists was dismissed by the company after refusing to go to Wapping.

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Mercury hopes to avoid a prices war with BT

BY JASON CRISP

MERCURY COMMUNICATIONS' dialled telephone service which comes into operation next month will undercut British Telecom by between 1 and 24 per cent on call charges.

Mercury, a subsidiary of Cable & Wireless, which has invested nearly £150m in telecommunications network, hopes to capture 5 per cent of Britain's telephone traffic by 1990 when it is expected to be worth over £8bn. Initially, the service will be available to about 80 per cent of the population.

Mr Gordon Owen, chief executive of Mercury, said he did not expect the new tariffs announced yesterday would cause a price war with British Telecom. He said BT stood to lose far more from price-cutting than it would from Mercury's competition.

Next month large telephone users can apply for Mercury lines which will cost more to install and rent than BT's but will have lower call charges. Later this year, small companies and then residential customers will be able to use Mercury for trunk and international calls by dialling into its network using an ordinary BT line.

Mercury claims that customers directly connected to its network will save an average of 20 per cent on trunk calls from London and 24 per cent outside London.

International call charges to most destinations will only be 1 or 2 per cent below BT except to the US, Canada and Hong Kong where the maximum discount will be 17 per cent. Discounts for those dialling Mercury via BT are about 5 per cent less.

Mercury claims its digital communications and modern exchanges mean it will be able to offer a better service than BT as well as a cheaper one. For example, it is offering free itemised billing which details the time, duration, charge and number called. BT can only offer this in a few areas.

Mercury will not be cheaper for local calls – which it is trying to discourage – and will charge 70p for directory inquiries. Most people will use BT's inquiry service which, if slow, is free for the time being.

To date, Mercury has spent between £130m and £150m building a sophisticated, modern trunk telephone network which uses a combination of optical fibres, digital exchanges, microwave and satellite communications.

While BT uses similar equipment, it is hindered with its heritage of inefficient old technology used in most of the network and its high overheads.

Mercury customers in the City of London will have cheaper rentals than those elsewhere but its customers outside the London area should benefit from slightly greater discounts on call charges.

The reason is that Mercury has an optical fibre local network in the City – the most profitable telecommunications market in the country.

Not only is Mercury very anxious to attract City customers – with a high proportion of profitable international calls – but it is also cheaper to make the connection. Outside the City, Mercury will need a more expensive microwave link between the customer and its network.

In September, Mercury will launch a service for business which does not require a special line. Instead, customers will dial the Mercury network on a BT local line. Mercury will carry the call on its trunk network before handing it back to BT for local delivery. This will be dearer than Mercury's direct line service but will still undercut BT.

The customer will rent a special "black box" which is attached to their exchange to take the chore out of using two networks. This will automatically dial the Mercury network, give the identity number for billing and then dial the number required.

Sterling M3 change overdramatised, says Bank Governor

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR ROBIN LEIGH-PEMBERTON, Governor of the Bank of England, yesterday sought to dispel any concern that the downgrading of the broad money supply target, sterling M3, marked a relaxation of the Government's anti-inflation resolve.

Giving evidence to the House of Commons treasury and civil service committee on last month's budget, he said technical changes in the operation of monetary policy had been "overdramatised."

The target for sterling M3 was suspended last autumn and re-instated for a year in the budget with a much lesser range than originally intended.

"I wish to make it quite clear that there has been no change – either in the course of last year or in the budget – in our general approach, whether in relation to the aims of policy or its implementation," he said.

The Governor also indicated that the rapid growth rate of sterling M3 did not necessarily prelude further reductions in interest rates in so far as these were consistent with continued downward pressure on inflation.

Mr Leigh-Pemberton was foreshadowing a planned speech by Mr Nigel Lawson, Chancellor of the Exchequer, tomorrow at the City of London's Lombard Association.

The last ½ percentage point reduction in base rates followed the publication of figures showing that the rate of growth of sterling M3 had accelerated in March, he said.

Mr Leigh-Pemberton emphasised, however, that British interest rates could be expected to remain well above those of its main international competitors as long as unit labour costs here were rising much faster than abroad.

The opportunities for faster growth and lower inflation for presented by falling oil prices could easily be frittered away through high pay awards, he said.

Mr Leigh-Pemberton defended the high salaries at present being paid in the City of London, telling MPs that they should be seen in the context of a small number of people competing in a tough international environment.

He said that he regretted the political impact of such salaries but added that in the same way that "pop"stars or footballers received large salaries: "I am not sure why the stars of the financial world should not be allowed to have their, probably all too brief, opportunity."

Japan pressed for give-and-take deal on securities licences

BY BARRY RILEY

THE GOVERNMENT might bring forward the implementation of the controversial reciprocity clause in the *Financial Services Bill* in order to put further pressure on the Japanese authorities to give licences to British securities firms.

Mr Michael Howard, Minister for Corporate and Consumer Affairs at the Department of Trade and Industry, said yesterday that clause 151 of the bill, which gives the department powers to disqualify or restrict firms from countries that do not offer reciprocal opportunities to British investment businesses, could take effect before the rest of the bill.

This might mean that clause 151 could become effective before the end of this year, whereas the rest of the bill is likely to come into force some time during the first half of 1987. The clause, in a miscellaneous section of the bill, is separate from the main body of legislation which deals with the *regulation of* markets.

Further talks on British access to Japanese financial markets are likely towards the end of May when Japanese officials are due in London to discuss international regulatory issues. "I would hope never to use clause 151," said Mr Howard, "but it is there to assist us in negotiations."

After talks involving Mr Howard in Tokyo at the beginning of this month it was agreed that two British banks, Baring Bros and County Asia Securities (an associate of National Westminster), would shortly receive Japanese securities licences while Nomura, Japan's largest securities house, would be invited to apply for a banking licence in London.

But at least three Japanese securities house have had their applications for membership of the London Stock Exchange held up pending progress on the issue of access by British firms to Japanese financial markets.

Mr Howard said that this was a matter for the stock exchange. But the stock exchange would no doubt wish to take into account the existence of the reciprocity clause, and the consequent possibility that Japanese member firms could be disqualified from trading in the UK.

Mr Howard yesterday made it clear that the recent deal represented only the first stage of protracted negotiations between the two countries. "We've got things that they want and they've got things that we want," he said.

New paper planned for London

By Raymond Snoddy

THE CHEQUEPOINT finance group, which runs retail foreign exchange businesses in five countries, plans to launch a new London evening newspaper before the end of the year.

The paper, with a working title of The London News, would be a colour tabloid aimed at a younger readership than the London Standard, currently the capital's only evening newspaper.

Mr Alastair Holberton of Barclay Administration, which co-ordinates the activities of Chequepoint's holding company Inver Trust, yesterday said plans for a new London newspaper were "well advanced."

The annual turnover of Chequepoint was $150m a year.

Chequepoint announced its plans yesterday after Mr Bert Hardy, chief executive of the London Standard, referred to the project at a conference in Paris last week.

At the same conference Mr John Winnington Ingram, managing director of Associated Newspapers' newspaper interests said Associated was reviewing the possibility of reviving the London Evening News.

Mr Rupert Murdoch's News International has plans for a new evening, the London Post but these have been pushed to the background by the transfer of existing titles to Wapping, in London's docklands.

Chequepoint, whose chairman is Mr Felix Grovit, publishes London Week, a weekly newspaper for tourists, and the Marbella Times in Spain.

Mr William Thomson, chief executive of The London News project, said detailed planning had been underway for two years. A contract for weboffset printing presses would soon be placed with Rockwell-Goss and the company was negotiating with Xenotron for an electronic newsroom system.

The aim would be to produce between 300,000 to 500,000 copies six nights a week.

The plan for new printing plant in central London implies that Chequepoint may also be considering launching another national daily as well as a London evening.

● The tense contest for the loyalty of readers of the racing press gets under way today with the launch of the Racing Post.

The race pits Robert Maxwell's broadsheet the Sporting Life, against the tabloid owned by the Maktoum brothers of Dubai, who have invested heavily in British bloodstock.

Australian group buys radio stake

AN AUSTRALIAN television company Darling Downs Television of Queensland has bought a majority stake in London Broadcasting Company (LBC) from Selkirk Holdings of Canada, Raymond Snoddy writes.

The Australian company has bought all the UK commercial interests of Selkirk, including 30 per cent of Beacon Radio in Wolverhampton, 30 per cent of Radio Forth in Edinburgh and a 15.4 per cent stake in Radio Victory in Portsmouth which loses its franchise at the end of this year.

Although Darling Downs has bought 58 per cent of LBC Holdings, it will have only 49 per cent of the voting rights. Independent Broadcasting Authority (IBA) rules say commercial broadcasting operations in the UK have to be controlled by interests from the EEC.

Other major shareholders in LBC are the Associated group, Charterhouse and Home Counties Newspapers. LBC also has operational control of ILR, the commercial radio news service although it is paid for by subscriptions from the other local commercial radio stations.

□ EMPLOYERS in the north-west of England are most likely to face claims for equal pay for work of equal value, according to a study by Incomes Data Services, the independent research group.

It also suggests that the white-collar union Apex is the union most likely to lodge claims and pursue them through industrial tribunals, rather than through negotiation.

□ MR JAMES MILNE, secretary general of the Scottish Trades Union Congress, died yesterday only a few days before he was to retire. He was 65.

Mr Milne was one of the leading campaigners to preserve and expand Scottish industry. As whole sectors of manufacturing industries such as shipbuilding, steel, engineering and mining dwindled in Scotland, Mr Milne led protests, warned of the social consequences and called for revitalising of investment.

□ SCRUTINY of the workings of the commercial court is being undertaken as part of the Lord Chancellor's review of civil justice.

Coopers and Lybrand Associates has been appointed to try to identify the main causes of delay, cost and complexity in the handling of commercial cases. Last year 1,570 writs were issued compared with 1,049 in 1980. The court handled 130 trials and 4,400 interlocutory applications.

□ A VOTE was to take place in the House of Commons early today on the shops bill which paves the way for general shop trading on Sundays in England and Wales.

Mr Douglas Hurd, the Home Secretary, offered a series of concessions to Conservative opponents of the bill in an attempt to head off what looked like being the biggest backbench revolt of the present Parliament.

UK NEWS

Birmingham sets pace in bid for Olympics

By Arthur Smith, Midlands Correspondent

THE MOMENTUM for Birmingham to overcome international competition to host the 1992 Olympic Games is gathering pace, Mr Denis Howell, president of the Birmingham Olympic Committee, said at a press conference in London yesterday.

He was unveiling the city's three-volume bid document, weighing nearly 14lb and detailing why Birmingham should be chosen when the 91 International Olympic Committee delegates meet in Lausanne, next October to make the final decision.

Birmingham is challenging the acknowledged front-runners, Barcelona and Paris, for the 1992 Games. Also competing for the honour are Brisbane, Amsterdam and Belgrade.

Barcelona has bid three times to host the Olympics. But it was not until April last year that the Labour-controlled Birmingham City Council called in consultants Ove Arup to investigate the technical and economic possibilities offered by Britain's second city.

Birmingham's advantages of location and facilities – particularly the National Exhibition Centre, which is able to house 10 indoor Olympic sports – put it ahead of Manchester and London to carry Britain's hopes.

Mr Howell, a former football referee, Labour Party minister and sports politician, insisted yesterday that no one could have any idea who would win the competition for the 1992 Olympics.

It was a secret vote by the International Olympic Committee and he was putting as much effort into the campaign as he would to retain his present Birmingham parliamentary seat. The only difference, he suggested, was that in the British Parliament there was a limit upon expenses: Birmingham plans to spend some £1.25m on promotion, compared with £12m by Barcelona.

Mr Howell maintained that, regardless of promotion, Birmingham had natural geographic advantages. The National Exhibition Centre, with the planned adjacent stadium and Olympic village, meant that more than half the athletes would be competing within a central complex.

Birmingham, a city famous for its municipal enterprise, maintains that it will at worst break even by staging the Olympics.

Manufacturers investing in automation 'far too slowly'

BY NICK GARNETT

BRITISH MANUFACTURING companies were told yesterday that they were investing in automation far too slowly and did not generally understand the changes in financial accounting methods necessary to take correct decisions on automating their factories.

At the Financial Times' fourth manufacturing automation forum they were also advised to explore the benefits of using much more specifically designed proprietary production technology, the industrial property rights of which are owned by the equipment user, rather than the supplier.

Survival for large parts of Britain's manufacturing industries depended on production automation but the promises of the 1970s had failed to materialise, Mr Trevor Broughton, director of manufacturing engineering at Rolls-Royce told the conference.

Expenditure on automation had been low and, with some exceptions, British factories tended to look the same as they did 10 years ago. Yet "survival means investing in automation," Mr Broughton said.

Prof Gordon Edge, group chief executive of P. A. Technology, told the conference that manufacturing companies must be prepared to invest in developing proprietary automation technology specifically suited to their own production requirements.

Mr James Brimson, vice-president for business development at Computer Aided Manufacturing – International, said companies in the West were struggling to understand how to manage technology. One of the symptoms of this difficulty was they did not understand their own cost structures.

Companies were examining the cost of integrated manufacturing using 1950s methods applicable to purchasing single tools and with accounting systems developed in the 1920s. "We are facing a revolution in how to look at things," he said.

Mr John Collins, director of manufacturing technology at TI Domestic Appliances, said the technical risk rested not in the technology itself but in its management.

Correctly introducing advanced manufacturing methods required fundamental changes in attitudes, including the breaking down of the separate baronial empires such as marketing, finance and production, so that manufacturing strategies could be discussed collectively.

Mr Mike Bright, chairman and managing director of Kearney and Trecker Marwin, said the benefits of advanced manufacturing technology could be applied to 70 per cent of UK industry but there was much evidence that many companies, even major ones, were only just accepting the fact that advanced technology was the route to survival.

FINANCIAL TIMES CONFERENCE

Automated Manufacturing

A study by the National Economic Development Office showed that companies should adopt a step-by-step approach at a pace they could absorb.

Mr Andrew Barr, managing director operations at Austin Rover, said the introduction of advanced automation partly depended on a company possessing a uniformity of technical excellence across the entire range of its operations. "It is pointless having experts in the engineering department and at the point of production without a broad understanding of technology throughout the total structure of management," he said.

Mr John Towers, director and general manager of Peterborough Products at Perkins Engines, explained how his company which makes 400,000 engines a year took an integrated approach to manufacturing. This was based on a 10-year plan which included strategies on equipment technology and manufacturing facilities tied into the company's overall direction.

Mr Ivor Lewis, production director of J. C. Bamford Excavators, which has invested £20m in advanced manufacturing at its two British production sites, said a continuous process "mentality" had to replace stop-go attitudes when automated and integrated production systems were introduced.

The ethos of separate design and production engineering departments had also to be buried.

Mr R. Sharpe, general works manager for the Dursley Diesels business of Lister Petter, said some of the hidden benefits of flexible manufacturing included the erosion of barriers between management on the shop floor, while hidden costs included more expensive training that the company had expected.

British Telecom places order for advanced equipment with STC

BY JANE RIPPETEAU

STC TELECOMMUNICATIONS, a unit of Britain's troubled computers and telecommunications equipment company, has won a small but important contract to supply advanced telephone equipment to British Telecom (BT).

The equipment, including digital multiplexers, will permit customers to gain access to advanced services such as high-speed facsimile, colour picture and data transmission over a single existing telephone line.

Once installed in the BT network late next year, it will make possible an extension of BT's integrated digital access, or IDA, service to small and medium-sized business customers who want such capability but cannot afford to set up their own private network by leasing lines from BT or Mercury.

IDA is BT's version of the so-called integrated services digital network that telephone operating companies in Europe, the US and Japan are now developing. The STC equipment is compatible with an international transmission rate standard designed to make such networks work across international boundaries.

STC's contract is the first of several that BT expects to award for similar access equipment. The market, including such products as multiplexers, which receive, repackage and transmit information, and network termination units, which connect subscriber lines to the telephone network, could be worth as much as $8bn worldwide over the next five years, according to Mr Philip Dobby, marketing director for STC's local transmission division, which will handle the BT contract. BT will not comment on the estimate.

STC views the sector as a replacement for its fading telephone exchange business. It currently supplies BT with equipment based on outmoded analog technology, but it expects this £120m per annum revenue to dry up within five years as BT completes its conversion to more economical and efficient digital switching and transmission.

Strategy talks at Unity Trust

By Philip Bassett

TRADE UNION leaders are being called to a meeting this month to determine the development programme for Unity Trust, the trade union financial institution.

The move comes as the organisation announces marked increases both in its pre-tax profit and its operating balance sheet. Mr David Basnett, the trust's outgoing president, has called general secretaries of the organisation's original founder member unions to a meeting to develop a medium and longer-term strategy for the trust.

Mr Bassett said that the organisation had already confounded the cynics and established a track record of which it could be proud. He will be succeeded in the post by Mr Ron Todd, general secretary of the Transport and General Workers' Union.

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Distillers' Shareholders. The Argyll Offer closes at 3p.m. Friday April 18th.

The Argyll Offer values Distillers' shares at 744p – 23p more than their current market value. If you want to know why you should accept the Argyll Offer, call James Gulliver by dialling 100 and asking for Freefone Argyll Offer.

If you have any difficulties filling in your Acceptance Form, call the Argyll Helpline on (031) 556 7761 or (031) 558 1252.

If you have accepted the Guinness Offer, and now wish to withdraw, complete and return the withdrawal form. If you require assistance, or a new form, call the Argyll Helpline on (031) 556 7761 or (031) 558 1252 for advice.

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FIGURES BASED ON THE MARKET PRICES AT 3.30PM ON 14TH APRIL 1986. THE ABOVE VALUE IS FOR ARGYLL'S FINAL INCREASED BASIC OFFER AND TAKES ACCOUNT OF AN ESTIMATE BY ROWE & PITMAN, PANMURE GORDON & CO. AND SCRIMGEOUR VICKERS OF THE VALUE OF THE NEW CONVERTIBLE PREFERENCE SHARES OF ARGYLL. THE VALUE OF THE CONVERTIBLE PREFERENCE SHARES OF ARGYLL IS ESTIMATED BECAUSE THEY ARE NOT PRESENTLY QUOTED. IF THE CONVERTIBLE PREFERENCE SHARES OF ARGYLL WERE VALUED ON THE BASIS USED BY GUINNESS' ADVISORS IN RELATION TO THE NEW GUINNESS CONVERTIBLE PREFERENCE SHARES, IN THE OPINION OF ROWE & PITMAN, PANMURE GORDON & CO. AND SCRIMGEOUR VICKERS, THE NEW CONVERTIBLE PREFERENCE SHARES OF ARGYLL WOULD BE VALUED SOME 6.6p HIGHER AT A PRICE OF 126.4p THEREBY INCREASING THE VALUE OF ARGYLL'S FINAL INCREASED BASIC OFFER TO 751p. SOURCE: PUBLISHED ACCOUNTS.

UK NEWS

Schoolboy 'shadow' for BR chairman

By Hazel Duffy

MARK ASHBY, an 18-year-old schoolboy, started work yesterday alongside Sir Robert Reid, British Rail chairman. He will spend five days shadowing the BR chief – which will include attendance at two top level management meetings – as part of an Industry Year exercise designed to give schoolchildren a glimpse of business in action.

Unless more executives participate in the scheme, however, Mark will be one of the few lucky ones.

About 600 executives have put their names forward for the scheme, sponsored by the Department of Trade and Industry and the Institute of Directors.

But Mr John Butcher, Industry Minister, said yesterday that he had hoped for 3,000 volunteers by now.

"*It is sad that – with some notable exceptions* – it is a feature of Industry Year that education is beating industry hands down in terms of taking positive action … It is action, not words that will make Industry Year work," Mr Butcher said.

He criticised industry for not showing the enthusiasm with which schools have responded to the work-shadow idea.

The scheme will run through this term and the summer months. Most of those taking part are chairmen, chief executives, and managing directors. But some are executives of charities, journalists, and one is a school headmaster.

Some 16 per cent of volunteers are women, including Ms Brenda Dean, general secretary of Sogat '82, the general print workers' union.

Rolls-Royce aero-engine orders accelerate to £300m in quarter

BY LYNTON McLAIN

ROLLS-ROYCE, the state-owned aero-engine group which the Government plans to privatise, won civil engine orders worth more than £300m in the first quarter this year. This is greater than the annual orders won by Rolls-Royce in 1980, 1981, 1982 and 1984 when civil engine orders did not exceed £250m in any one year.

Mr Ralph Robins, managing director, said yesterday that orders were increasing at the highest rate the company had experienced. In 1983 and 1985 Rolls-Royce's civil engine orders for the full year came to under £400m.

"The long-term strategy of the company is beginning to pay dividends, with far more emphasis being paid to developing advanced technology ahead of its requirement by the market," Mr Robins said. "The strategy is giving us the lower cost of entry to the market with increased opportunities at lower risk. We expect higher profitability as a result."

Rolls-Royce spends about £250m on research and development each year, a rate of investment likely to continue for the foreseeable future of this sum, £100m is generated from Rolls-Royce's own resources.

The company is continuing studies on advance propeller (propfan) engines, but the fall in the price of oil has taken away some of the potential gains in fuel efficiency from this new technology. Rolls-Royce is maintaining study programmes to evaluate propfans, but it believes the market for these engines will *not* emerge until at least the mid 1990s. This is several years later than US aero-engine companies expect to be selling propfan engines.

Rolls-Royce is in touch with General Electric and Pratt and Whitney of the US about propfan technology, but no collaboration is planned for the immediate future. "Propfans are likely to be later rather than sooner and the aircraft using them are likely to be smaller rather than larger," Mr Robins said.

Senior managers in Rolls-Royce indicated yesterday that the company was unlikely to be privatised this calendar year, but it could possibly come to the market before March 31 1987.

US banks complete takeover of brokers

BY NICK BUNKER

CITICORP and Shearson Lehman Brothers, the US investment banks, announced separately yesterday that they had both completed their acquisitions of London stockbrokers. Since March 1, London Stock Exchange rules have permitted outside interests to take 100 per cent holdings in member firms.

Yesterday also saw the completion of the planned merger between S.G. Warburg, the British merchant bank and three UK securities houses to form Mercury International Group, a merchant banking, stockbroking and asset management conglomerate.

All three developments form part of the restructuring of the London stock market that will culminate on October 27 with the introduction of dual capacity operations by stock exchange member firms.

Citicorp said that Scrimgeour Vickers, the stockbroker formed last year from a merger between broking firms Scrimgeour Kemp-Gee and Vickers Da Costa, has become a wholly owned subsidiary of Citicorp Investment Bank Ltd (CIBL).

CIBL – which initially took a 29.9 per cent stake in the combined firm last May – also announced that Scrimgeour Vickers had ceased to be a partnership and had been incorporated as a limited liability company.

Shearson Lehman, itself a subsidiary of American Express, the financial services group, said yesterday that it had taken 100 per cent control of L. Messel, the 113-year old London stockbroker. The US bank purchased a 5 per cent equity holding in L. Messel in 1984.

Door closes today on bids for Land Rover

BY JOHN GRIFFITHS

NO NEW would-be bidders for Land Rover, BL's four-wheel-drive and vans company, had emerged by last night.

When the BL board and its merchant bank advisers Hill Samuel close the door on any further bids tonight they are expected to consider rival proposals from only the Schroder Ventures-led management buy-out consortium, the Lonrho group, and J. C. Bamford, the construction equipment concern.

J. C. Bamford, which declared its interest only last week, is understood to have joined Schroder and Lonrho in drawing up detailed proposals following talks with Hill Samuel and a visit to Land Rover's headquarters at Solihull in the West Midlands.

However, BL is also keeping open the option of retaining Land Rover within the BL group while preparing it for a stock market flotation in about two years.

A flotation on a similar time-scale is also the objective of the management buy-out group which was organised by Mr David Andrews. Mr Andrews is on leave of absence from his job as chairman of Land Rover-Leyland, which embraces all BL's commercial vehicle activities.

Ulster call for stiffer opposition to pact

By Our Belfast Correspondent

ULSTER UNIONISTS will have to consider ways to toughen up their tactic of withdrawing consent from the Government in protest against the Anglo-Irish Agreement, Mr Harold McCusker, deputy leader of the Official Unionist Party (OUP), said yesterday. The Anglo-Irish Agreement, signed late last year, gives Dublin a say in the affairs of Ulster.

Mr McCusker, speaking at his party's weekly news conference, made his comments in reply to Mr Cecil Walker, the party's MP for Belfast North, who said at the weekend that the Unionists should return to the House of Commons to voice their opposition.

Mr Walker's sentiments are not shared by senior members of his party. Mr McCusker said he thought there should be a complete withdrawal from Parliament and a tightening of the boycott tactic in Ulster.

He said: "We have to force the Government to do what it does not want to do – for instance, to put commissioners in place of local councils." The debate focuses on a dilemma for the party. The OUP, like its partners, the Democratic Unionist Party, wants to step up the campaign. However, it wants to avoid giving hard-line Loyalists the opportunity to hijack legitimate forms of protest as happened during a strike in the province on March 3.

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NOT A SERIES FROM LWT.

THAMES HASN'T MADE IT.

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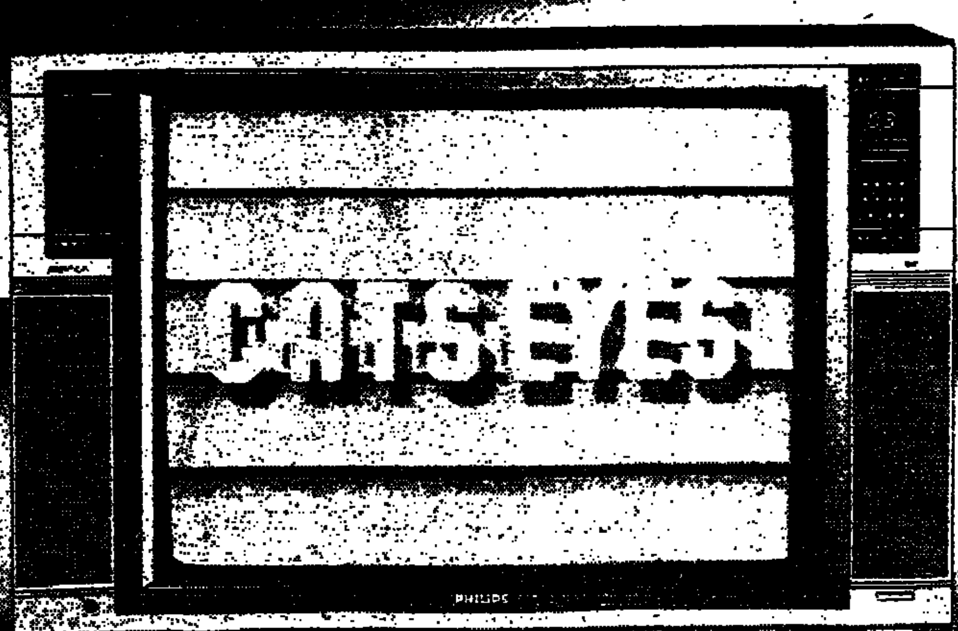


YORKSHIRE HAS NO HAND IN IT.

Then who?

You might be forgiven for thinking there are only a handful of ITV companies who produce programmes that are shown nationally.

Turn on the box during this week, though, and you'll be in for a surprise.

Because you will find five eminently watchable programmes from a company that is not one of the usual crowd.

All the programmes are nationally networked. And they'll all attract big audiences.

Kick-off is at 10.30pm tonight with 'The Boys of '66,' a fascinating documentary in which Michael Parkinson follows up the careers and lives of England's World Cup winners.

For those too young to remember the heady days of 1966, our award-winning children's series 'Number 73' offers plenty of fun and games at 9.25 on Saturday morning.

Judging by past experience, viewers of all ages will be entertained by the antics of brilliant impressionist Bobby Davro, returning for another series, later on Saturday, at 7.00pm.

Later still, 9.15pm sees the return of the highly sophisticated espionage thriller series, 'C.A.T.S. Eyes.'

And to round off the week, 'Catchphrase' at 7.15pm on Sunday is one quiz show that really catches the attention.

But there are no prizes for guessing who takes the credit for all these programmes.

We do.

We're TVS, the television contractor for the South and South-East. You can look forward to seeing our programmes considerably more often.

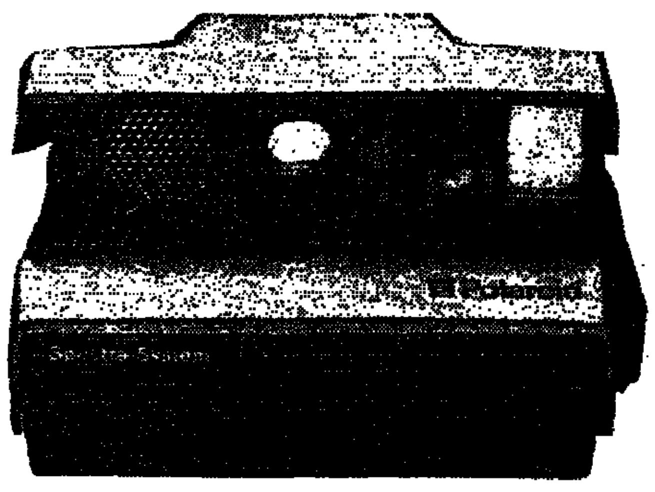
And as this coming week will prove, TVS is definitely a name to watch out for.

TVS
A name to watch out for.

TECHNOLOGY

Louise Kehoe, in San Francisco, on the new camera and film with which Polaroid is looking to out-do its 35mm competitors.

Shooting for an instant comeback



LIKE instant porridge and instant rice, instant photography has never quite lived up to the quality of the original approach. But Polaroid, which launched a new instant camera and film in the US earlier this month, is wagering that with the aid of advances in technology, it can out-do the best that 35 mm cameras can offer.

Persuading the general public of its claims is critical to an all-out effort by the company to reverse the dwindling popularity of instant cameras, which it invented 40 years ago. Unit sales have fallen from a peak of more than 9m in 1978 to 3.6m last year, and Polaroid's commercial fortunes have suffered correspondingly.

The level of the stakes is underlined by the scale of the promotional effort which Polaroid is mounting. The launch cost the company $1m, and it plans to spend $40m on an advertising campaign intended to reach 80 per cent of the US population in the next nine months. It will also woo prospective buyers with a nationwide demonstration programme.

The new Spectra camera and film, which will be launched in Japan next month and in Western Europe next October, are the fruits of a four-year development programme. They incorporate significant technical progress in optics, film chemistry and the use of electronics.

Key to the performance of the Spectra is the proprietary film developed for use with the camera, Polaroid's first new film chemistry since 1972. It is the first photographic film to use two different chemical technologies in a single film structure to eliminate chemical "cross talk."

The problem is analagous to what happens when you get a crossed phone line—the two conversations interfere with each other and there is a loss of information. Just so with the processes by which different colours are developed in a photographic film. If the development of yellow and red interfere with each other, for example, then subtle colour shades are lost.

To avoid cross talk, the Spectra film uses two chemical processes that work independently. "The challenge was to design processes that would function in harmony without interfering with each other," Polaroid's chemists say.

Their solution is an 18-layer film structure that contains three-colour recording "sandwiches" of a photosensitive emulsion and related image dye. The upper sandwich records blue information, the middle green and the lower, red.

For the new Spectra film, the blue-light sensitive sandwich has been radically altered by the first-ever use in photographic film of "thiazolidine dye release." chemistry in which exposed silver ions react with the dye to release molecules that produce the colour image.

This new chemistry required the creation of a yellow dye molecule and a release mechanism that involves only a very small quantity of silver.

The dye release process contrasts with the established dye developer process which is a passive process in which dye molecules begin to transfer as soon as the reagent is spread on the film as it is ejected from the camera. Because they follow fundamentally different chemical rules, the three dyes do not interfere with one another.

While the brightness and colour density of the new Polaroid film is striking, the size and shape of the pictures produced by Spectra are also different. The new Polaroids are significantly larger than earlier instant photographs, and for the first time they have the rectangular shape preferred by camera enthusiasts. They are still a lot smaller than the standard prints obtained with 35 mm film, but Polaroid will offer an enlargement service that digitally enhances the image to further improve picture quality.

Although large-instant pictures would obviously be desirable, the size of the pictures is a major factor in determining the camera size—already bigger than other amateur cameras.

In an effort to increase image size, while keeping the camera reasonably small, Polaroid invented a novel optical system which it has called the "Quintic lens." Instead of multiple optical elements moving forward and back, a single kidney-shaped central lens element slides through the middle of the lens system to one of 10 pre-selected focusing positions.

Named after the five levels of polynomials in the equation required to describe its unusual shape, the Quintic lens is the first use of this optical concept in a commercial product, Polaroid claims.

When the two-stage Spectra shutter button is pressed to its "ready" state, the lens-focusing system is electronically activated and the Quintic lens slides into a position determined by the sonic automatic focus systems to focus from 2 ft to infinity.

As well as setting the lens position, the sonar system works with two photodiodes that measure both visible and infra-red light to determine the correct exposure setting.

The inner workings of the Spectra camera represent a complex electronic, optical and chemical system. Spectra is, however, very simple to use. Essentially it is a point-and-click camera.

The viewfinder provides a readout of focus distance and alerts the user if the subject is too close, if there is not enough light, or if the camera is out of film. Audible signals are also included. Expert photographers can override the camera's automatic features if they wish.

POLAROID CORPORATION

	1984	1983 ($m)	1982	1981	1980
Net sales:					
US	743.5	730.1	752.5	817.8	791.8
International	528.0	524.4	541.4	601.8	659.0
Total net sales	1,271.5	1,254.5	1,293.9	1,419.6	1,450.8
Pre-tax earnings	62.3	100.1	61.7	62.7	144.2
Net earnings	25.7	49.7	23.5	31.1	85.4

IDEAL TIMING FOR THE PROMOTION OF A BETTER IMAGE

"WE PLAN on shouting from the rooftop that instant photography is clearly the best way to record images," said Mr I. MacAllister Booth, president and chief executive of Polaroid at the US launch of the Spectra camera.

In one sense, the company's timing could scarcely be better. Since it won a 10-year legal battle six months ago against Kodak, which it had accused of infringing its instant photography patents, Polaroid has had the US market to itself.

Though Kodak may appeal against the court ruling, it has already announced its withdrawal from instant photography. Damages have yet to be assessed, but industry analysts guess that Kodak might be ordered to pay Polaroid between $1bn and $3bn.

Elsewhere, the only other competitor in instant photography is Fuji of Japan, which licensed its technology from Kodak and is negotiating a settlement with Polaroid.

However, Polaroid has still to overcome scepticism among those in the US who argue that instant photography is a dying fad. Spectra is also priced to compete at the upper end of the market against popular automatic 35 mm cameras made by several Japanese manufacturers.

Film for the Spectra is relatively expensive, too. At a list price of $11.75 for a 12-exposure pack, each photograph costs almost twice as much as a 35mm snap, including the purchase price of the film, development and printing.

Is Spectra worth it? Polaroid claims the new film yields brighter images with more colour depth and brilliance than its earlier products.

However, some photography experts attending the US launch had marked reservations. "It's a great improvement but it certainly doesn't rival 35mm," said one. "Whether the consumer recognises the improved quality of the picture is a big question."

On the other hand, initial reactions among the more than 100 Wall Street analysts at the launch were overwhelmingly positive. Few doubted that if Polaroid can win consumer attention the Spectra will be a winner.

"They will sell 1m units in the next 12 months," predicted Mr James Magid of stockbrokers L. F. Rothschild, who pronounced the camera "fabulous."

Rolling back the frontiers of television

Video & Film

BY JOHN CHITTOCK

A NOSTALGIC, even quaint event in the esoteric world of moving pictures happened in London last week. British Petroleum held a film premiere for some 200 VIPs at its plush Barbican cinema: subject, the onshore oil development at Furzey Island, Dorset; purpose, to demonstrate the extraordinary care which is being taken over environmental issues in this sensitive area.

The event was nostalgic because once upon a time BP was synonymous with the impressive public relations film, and its Barbican cinema was the venue of many grandly hosted screenings. Nowadays, video dominates the activities of BP and many other major companies, and most of the programmes are aimed at very small groups—with less subtlety and few of the PR trimmings in presentation.

Last week's occasion emphasised the dramatic change in distribution methods which has hit the moving picture business. Here—as in the 1960s—the audience journeyed to see the film (and on a wet Monday evening), whereas new technology is increasingly taking the film to the audience—whether as a physically delivered videocassette or a trans-continental satellite programme.

If the difference may seem obvious, it is a difference which deserves closer attention in the razzamatazz of media marvels—because it brings a knock-on effect for the industry, the public, governments and even national cultures.

This is typified by two small but interesting news items of the last fortnight. The British-based company IVS Enterprises announced an agreement to provide a broadband satellite television system in the Chelsea Cloisters apartment complex in London. This will provide residents (via cable) with four off-air broadcast TV services plus four satellite delivered channels.

The other item of relevant news came from the satellite TV dish aerial company Megasat, which is supplying Ladbroke betting shops with the necessary receiving equipment for the relay of live TV coverage of race meetings.

There is an irony in both stories. IVS was originally known in the industry as a supplier of entertainment films to ships at sea, using the new technology of video, but delivered in boxes. And in 1932 John Logie Baird pinned his commercial future on a large screen TV system which he used to relay the Derby live to a cinema audience of 5,000 people.

Following Baird's experiments, the control of television firmly passed to public authorities—and only the arrival of satellite technology has permitted private transmissions of the kind now being undertaken by Ladbroke. For IVS, the marine service was a bespoke operation for a captive audience, not amenable to the scale of distribution which cable now offers them.

What is happening, of course, is that the large or scattered audiences provided by electronic media are at last being made accessible to private operators—whereas not so long ago the only route readily available to companies wishing to reach such audiences was 16mm film (or TV advertising). The privately-run 16mm film show is becoming almost an anachronism now that cheaper and more convenient methods of reaching audiences are available.

Meanwhile, however, the remote and disembodied audiences of satellite television are unseen and unheard—so that, for example, Sky Channel has tried to define them with a recently commissioned and weighty two volume report from AGB—*The Pan European Television Audience Survey*. The bottom line is, of course, that if you cannot bring the specifically required audience to the advertiser at least you can identify—in the saturation coverage of satellite TV—enough specific groupings to justify the buckshot technique.

Emerging from such developments is a polarisation of distribution methods—to the very large audience groups, or to the very specific. The former was generally unavailable to the private operator and the latter extremely difficult or costly to reach, as indeed must have been the case for BP's film premiere last week.

An example of audience targetting which would have been unmanageable on 16mm film was recently demonstrated at a London seminar by Richard Burtchnell of the Burton Group—the company which made an imaginative use of video in its successful takeover bid for Debenhams. Some 4,300 shareholders received a copy of an 18 minute programme about Burton's plans—all within five days of requesting it.

As these developments in distribution occur, with the television screen as a unifying element, the status quo is under attack. Companies with important PR problems, such as in the oil industry, are no longer solely governed by the stern rules of public service television if they wish to reach mass audiences. And, on the other hand, wider competition for public TV audiences is changing the economic balance of broadcasting—as the BBC is painfully aware.

Such upheavals go beyond the new influence which industry and commerce might exercise on the media and deeper than financial pressure which threatens the creative output of the BBC and ITV. There are also national fears about cultural and political values as satellite television becomes no respector of national boundaries.

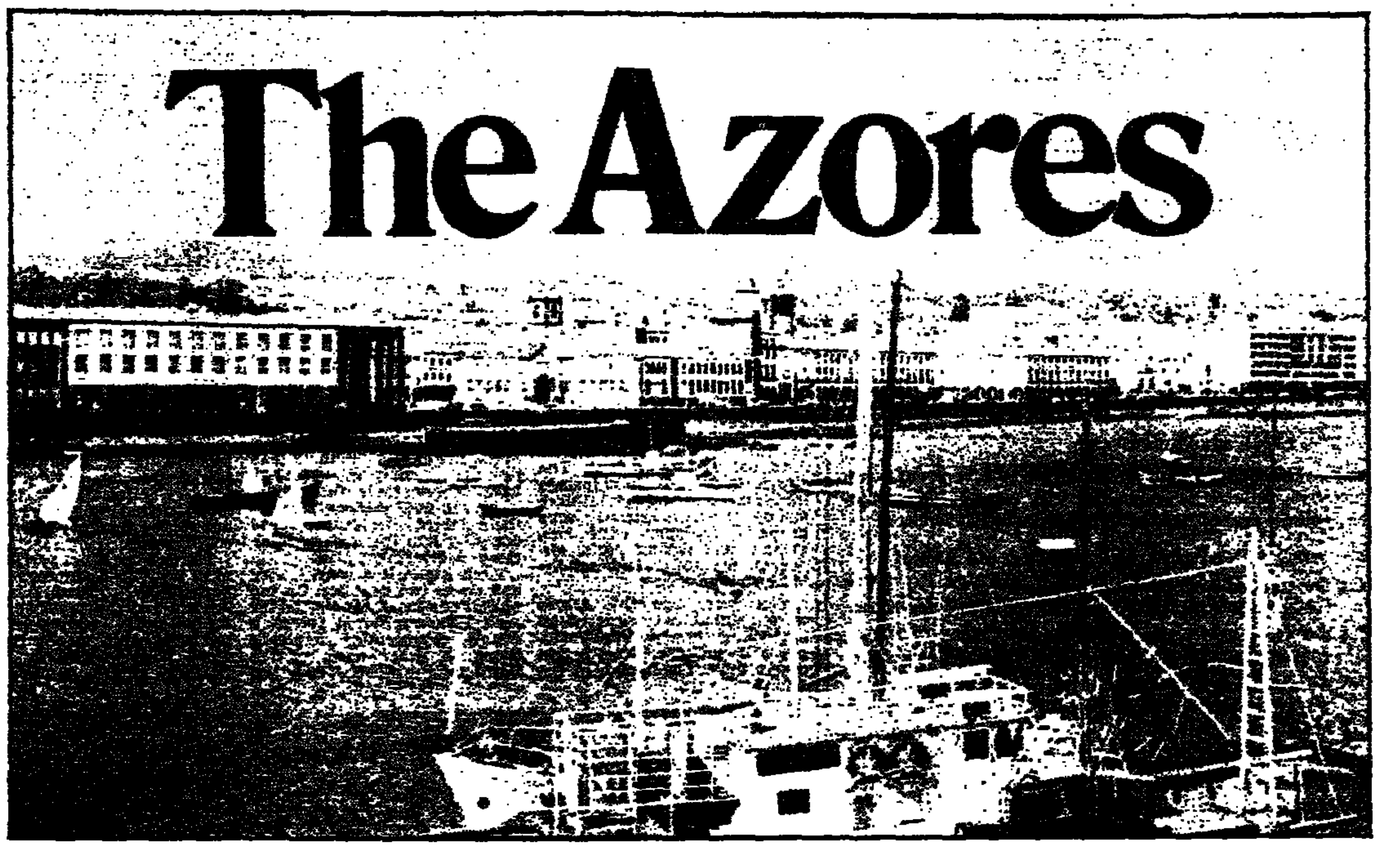
The big debate was signalled in 1984 with the publication of the EEC's green paper, *Television without Frontiers*—and rolls on as some argue for regulation, others for more freedom, and Europeans for "harmonisation." Marshall McLuhan was right and we are now entering the era of the Gutenberg galaxy; but who will control the printing presses—businessmen, politicians or the public?

FINANCIAL TIMES SURVEY

Tuesday April 15 1986

This unspoilt part of Portugal out in the Atlantic is now included in the EEC. Funds from Brussels will help the economy but exports to Europe are likely to meet stronger competition in future.

The Azores



Harbour on Ponta Delgado on San Miguel, the most populous island. Autonomy for the islands has brought a voice in Portugal's *national and international* affairs.

Poised between two worlds

BY DAVID WHITE

NOT MANY places are quite as far away from anywhere else as the Azores. The nearest land, Madeira, is 500 nautical miles away. *Lisbon* 800, *New York* over 2,000. On a north-south line from the most westerly islands, there is nothing else between Greenland and the Antarctic.

Unspoilt, well-preserved and unpolluted, part of Portugal but for the last ten years enjoying a fair measure of autonomy under their own government, the islands lie *somewhere* between the old and new worlds.

They were colonised 500 years *ago and have echoes both* of continental Europe and (especially in the boom-and-bust cycles which have characterised their economic history) of Brazil.

The other side of the New World is there too, in the cocoon of American civilisation at the Lajes US air base, which flies in its own milk to a milk-producing *island*.

This western outpost of the EEC is made up of nine inhabited islands, together about the size of Luxembourg, strung out loosely along roughly the same latitude as Lisbon and Washington DC. Meteorological science has produced the result that they are heard of less in their own right than as the "weather-*kitchen" of Europe. The* permanent Azores anticyclone (revolving air currents around a high-pressure zone) more or less decides, when it edges north in summer, what weather the Continent will receive.

However, the *islands* have other *claims for* being on the map. At crucial stages of Portuguese history they have played a big part—*the* place-names *Angra do Heroismo and* Praia da Vitoria commemorate their role in the cause against absolutism *during* the "*war of* the two brothers" in the 1830s—and their strategic position is still regarded as vital to Nato.

For generations of travellers they also served as a mid-way port of call and first landfall. But the staging-post role has largely gone these days. While elsewhere communications have expanded, here they have *shrunk. Liners rarely call*—though transatlantic yachtsmen do—and US airlines that used to make stopovers no longer do so.

This increased isolation, aggravated by high freight costs, has been joined by worries about the islands' future in the EEC. The mainland Portuguese market for dairy and meat *from the Azores, the main* export and in the post-war period the *most* dynamic sector of the economy, will become exposed to competition from *northern Europe*.

Although funds from the EEC will give the islands a shot in the arm, and although they can now tap a much larger market if they can send quality produce at competitive prices, there may be problems in store.

The regional government, which has stayed in the hands of the centrist Social Democrat Party (PSD), currently in power in Lisbon, has put on the best face possible. But nobody really knows how the EEC will work out, and a certain ambivalence reigns on the issue.

Since the first settlements, the Azores have been through a long series of economic cycles involving various exports—wheat, wood, oranges for ships' stores and for the English market, whaling, and in more recent times pineapples grown in whitewashed greenhouses, chicory for *coffee, sugar-beet*, and above all dairy farming. People do not like to talk in terms of the "cow cycle," expecting that the Common Agricultural Policy will at least keep dairy farming going and that it will not go the way of all the other cycles.

Until Portugal's 1974 revolution, the islands, split into three administrative districts, suffered from a neglect that Dr Joao Bosco Mota Amaral, the current Azores president, puts down simply to bad government. Like the Azores' three football teams today, they played in Portugal's third *division*.

The autonomous *government* has taken on the hard task of forging a united regional identity. *Catering to inter-island* rivalries, especially between the two largest islands of Sao *Miguel* and Terceira, has meant adopting an extraordinarily unwieldy government system, with the president on one island, the 44-member assembly gathering on another, part of the government based on yet another, and government meetings held at least *once* a year on each of the nine.

However, autonomy has *brought clear benefits by giving* the archipelago its own voice in the country's affairs, including internationally. The Azores and Madeira both have a clause in their statutes enabling them to participate in negotiations on any treaties and agreements which affect them directly.

The PSD's apparently unassailable majority and a low level *of union* activity have *given the islands political and* labour stability contrasting with the turbulence and chops and *changes of national* politics. Under the autonomy statute, the regional government is free to manage tax receipts — both those raised locally and those transferred from the state — and has some fiscal differences (a lower VAT rate), but it wants its powers extended so that it can organise its own tax system.

Some progress has been made in narrowing the gap with the mainland, but *per capita* income is still only about 60 per cent of Portugal's and less than *one-fifth of the EEC* average, and there is a serious housing problem.

Adult illiteracy — although now mainly affecting the over-40s — was measured five years ago as 23 per cent, and among the farming population as 32 per cent.

The Government has so far concentrated on channelling funds into ports and airports. *It is now looking to ways of* creating wealth within the islands by promoting industrial investment and tourism. *Farms* and fishing cannot continue to give work to almost 30 per cent of the population. Dr Mota Amaral says his aim has to be "to stem the historic tradition, which is to export people."

The population has fallen from 328,000 in 1960 to 250,000. Although emigration has slowed — about 1,000 a year in recent years, compared with annual rate of 9,000 or 10,000 —and *figures now* indicate some demographic growth, some islands have ageing populations. *There has been little inflow* of people from the mainland this century.

Emigrants in modern times have gone mostly to the US and Canada, *where Azoreans* number about 1m — the bulk of the Portuguese community in those countries. This connection has built up strong affinities between the islands and the US. The only significant *independence movement on the* islands, which emerged after the 1974 revolution but is now moribund, is broadly pro-American.

On December 31 last year, the eve of Common Market entry, the US and Canadian flags were *hoisted alongside the EEC flag.*

Out of the US base agreement the Azoreans have become big recipients of US aid. The $40m a year they now obtain as their share of economic offsets make up 30 per cent of the regional budget. Together with EEC funds and a smaller amount of French assistance

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BASIC STATISTICS	
Population (est.)	250,000
Area	2,300 sq km (890 sq miles)
Gross Internal Product (1982)	Esc 27.87 bn
Distribution:	
Agriculture and fisheries	33.0 per cent
Industry	21.3 per cent
Services	45.7 per cent
Trade including mainland *Portugal* (1982):	
Imports	Esc 17.99bn
Exports	Esc 7.71bn
International Trade (1984):	
Imports	Esc 5.72bn
Exports	Esc 2.26bn
Foreign tourists (1984):	22,720

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Ambitious regional plan

Government

DIANA SMITH

PONTA DELGADA Airport has come a long way since the Second World War when aircraft preparing to land had to circle until cowherds clanking huge iron triangles could shoo their grazing cattle off *the small grass landing strip.*

Today the tarmac runway of Ponta Delgada takes modern jets, and in a year or so the runway will be extended to accommodate passenger or cargo Jumbos.

The airport's extension and internationalisation is but a small part of the ambitious master plan of the Azores regional government led by Dr Joao Bosco Mota Amaral. The aim is to turn the archipelago into a mid-Atlantic agricultural, fishing and industrial zone properly equipped with commercial and fishing ports, airports, free zones and solidly-built storage space.

Ten years ago the Azores were granted the status of an autonomous region of the Portuguese republic. The region covers nine islands and, in the words of their statute of autonomy "the sea and its depths" inside a 12-mile exclusive economic zone and 200 miles of territorial waters.

This covers no less than 1m square miles—a vast domain rich in the fruits of the sea, both smaller table fish and big game fish such as tunny, blue marlin, bonito and sailfish travelling in the Gulf Stream to spawn in northern waters.

Autonomy endowed the region with a parliamentary system, whereas *mainland Portugal* is semi-parliamentary / semi-presidential. Members of Parliament—the regional assembly—are elected by universal, direct suffrage with a four-year mandate.

Unlike mainland parliaments and executives that have come and gone every few months, the Azores, where Dr Mota Amaral's Social Democrats dominate politics, the assembly and executive have served their full terms. They are now midway through their third legislature and doggedly into the first medium-range development plan.

Each island is a constituency and elects two deputies. On top of that one deputy is elected for each 7,500 registered voters, a deputy representing Azoreans living in other parts of the Portuguese republic, and one representing Azoreans living abroad—who number well over a million.

With representation came the right to taxation revenue. The regional government applies the income from all taxes—earned and unearned income, VAT and so on, levied locally. Because of the islands' more modest economic status the VAT rate is 30 per cent lower than in mainland Portugal.

Scattered

The executive is spread over three islands—Sao Miguel which houses three-fifths of the archipaelago's population of 250,000, Terceira, north of Sao Miguel, and Faial, far to the west. To scatter Government departments over three islands is good for local pride and certainly keeps the inter-island air line, SATA, busy. But in practice it is like having a Ministry of Agriculture in the Isles of Scilly and the Department of Trade in the Orkneys—not always conducive to speedy coordination.

The Cabinet if not peripatetic, must meet on a different island periodically. Thus Dr Mota Amaral and the regional secretaries—local equivalent of ministers—this month trooped from their offices in Ponta Delgada, Angra do Heroismo and Horta to little Graciosa to sit in cabinet and inaugurate Graciosa's first commercial port.

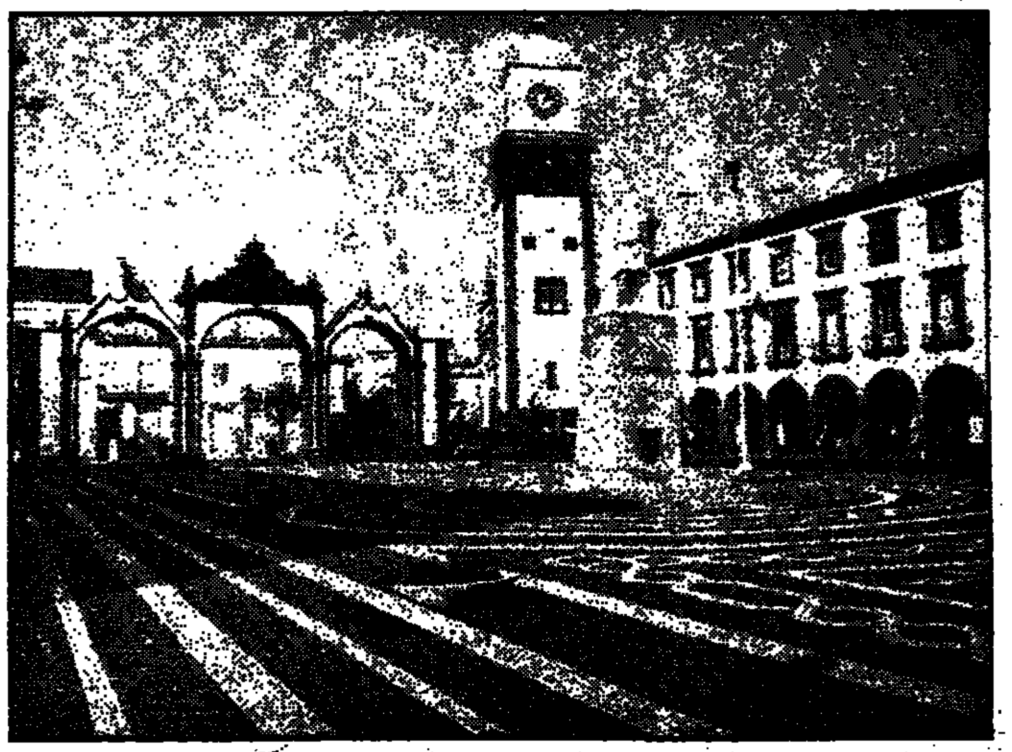
The Government is young with hardly anyone over 40, and cheerfully withstands all the travel and challenge of forging a united region out of islands that for 500 years ferociously competed with and often snubbed each other.

Disinclined to talk politics, eager to talk policies, the executive after a decade of self-government wants even more autonomy so that labour and tax laws imposed by Lisbon can be made more attractive locally to potential investors.

Stability has meant that these young leaders who built the islands' local government from scratch, could get on with the job of improving education and health and create new infrastructures, then try to make their preparatory work pay by attracting productive investment.

They have done so much in a decade to change structures in their islands without blighting the landscape, that they may achieve a small miracle: creating enough modernity to soften the urge to emigrate tempered with care to protect the ecology and visual splendour which make the Azores a haven.

Dr Jao Bosco Mota Amaral, president of the regional government, which has taken on the task of forging a unified regional identity



Ponta Delgada on Sao Miguel island, where three fifths of the population live

Expatriate communities created by settlers

THE BEAUTY of the Azores is beyond question, but through most of their more recent history these spectacular, wind and rain-swept volcanic islands—some tiny and none very large—have not been able to provide good incomes for their good-natured, hard-working people.

The Azoreans, descendants of settlers who left the Portuguese mainland 500 years ago, chose not to turn back to continental Portugal in their restless search for improvement. Instead they went west to North America and beyond. Some took up whaling and settled on the north-east coast of the US. Large Azorean-American communities thrive from Rhode Island past Boston into Cape Cod and on to the little islands of Martha's Vineyard and Nantucket.

Others moved north to Canada, around Toronto or even distant Vancouver. Again, the first adventurous spirits created communities for their friends and relatives.

Different islands bred different communities. The people of the largest island, Sao Miguel, preferred Massachusetts. Mention Fall River, New Bedford or Pawtucket to even a well-travelled person from England and he is apt to say "pardon?" Mention these towns to a resident of Sao Miguel and he is likely to tell you about his uncle in one, cousin once-removed in another and nephew in a third. As the Azoreans put it: You'd have to search for years for an islander who has no American relative.

New England Azorean communities, like those in Canada, have taken to their new habitat energetically, although New England winters are several dozen degrees colder than anything the Azores ever knows and they must master a new language and lifestyle.

They have become garment factory owners and restaurateurs, supermarket owners and newspaper editors, real estate brokers and bankers, workers in the electronics industry and master builders. Selectmen—the Massachusetts version of aldermen—and mayors.

From tiny Pico Island, migrants have gone far west to California, to San Diego and the Napa Valley, to grow wine in rivalry with the Italians, set up amateur soccer teams and local radio stations—and they continue to fly back to visit parents and relatives on their ancestral island.

American links

DAVID WHITE

Even beyond California, in Hawaii, there is a bustling Azorean community, descendents of workers hired to cut Hawaiian sugar cane who survived a gruelling six-month sea journey in appalling conditions. Today's Azoreans are proud that a candidate for the next Governor of Hawaii is one of these descendants.

There are other prominent Azoreans of the present and past whom the islanders proudly name like talismans—proof that an island group of 250,000 people which has almost six times its population living abroad—has bred people who have found status.

Where would American troops be without John Philip Souza, the king of march music and son of the Azores? Would American literature of the 1940s be quite the same without John Dos Passos, who wrote USA and was an Azorean?

Nowadays, the Azores have a lobby in Washington through Congressman Tony Coelho, a Californian descendant of Azoreans. But to the delight of the Azores the traffic has begun to flow homewards. Azoreans who made good abroad are investing in the islands.

Three garment factories on Sao Miguel, with more than £1m invested, have been set up recently by Massachusetts Azoreans who speak English more easily than Portuguese and have solid US clients.

They came home because the US garment industry is in trouble. In the Azores they can hire female workers new to the job market with government backing. Even with the high cost of exporting the finished goods it is worth their while.

Garment-making is not the ultimate aspiration for the island's industrial development, but since the archipelago is starting almost from scratch, labour-intensive industries such as this are seen as a useful first stage, allowing the labour force to find jobs and develop a skill.

That they develop fast is stressed by quality control supervisors of a US client of the first Azores-American garment factory that in three months has gone from an empty shell to a bustling shop, who were amazed by the high quality of the work. Three months ago the 75 women there were jobless.

The islands are buzzing with talk of the "Americans" and their factories—and the hope is that there will be more money and jobs flowing eastward from the continent 2,400 miles across the water.

Poised between two worlds

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linked to France's missile-tracking station on Flores, foreign aid makes as big a contribution ot the budget as the Portuguese state.

It is questionable whether the islands will ever become fully self-sufficient. But the regional government is hoping that the pace of development will now accelerate — thanks to EEC support. Emphasis is being put on strengthening the fishing fleet to make use of the islands' huge zone of Gulf Stream waters, as well as on tourism and farm goods.

A young government is trying to build up enthusiasm. For the first time, overseas Azoreans are beginning to come back and invest in the islands.

Sceptical

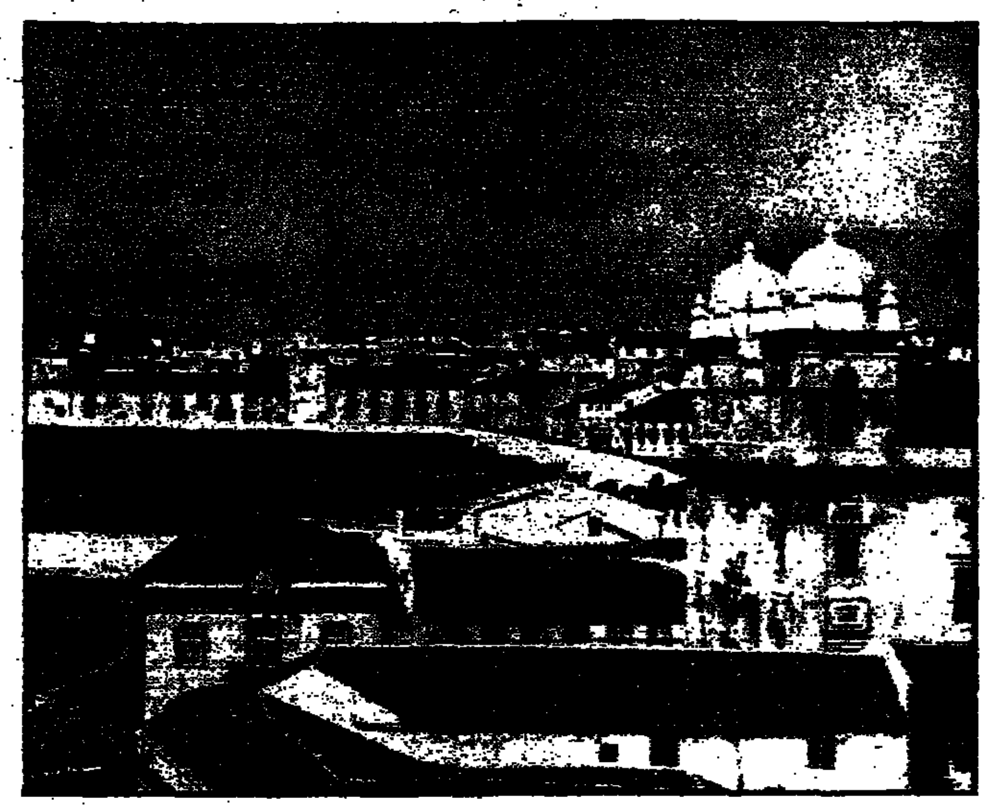
However, many people are sceptical, and some rather anti-development, preferring things the way they are. A compromise of sorts is called for, since the way things are is the Azores' best asset for tourism. The islands, though mild, do not have a fantastic climate for sun-seekers (or else they would have been discovered long ago). But they provide scenery every bit as changeable as the weather, a good deal of original atmosphere, and a fair guarantee that the visitor will not be mugged or harrassed.

With no significant mineral riches and probably rather limited industrial possibilities, the island's natural beauty and the clean seas around them are among the principal resources. Between the rugged coasts and volcantic heights, their lush greenery, lined in summer by hydrangeas, is a welcome surprise.

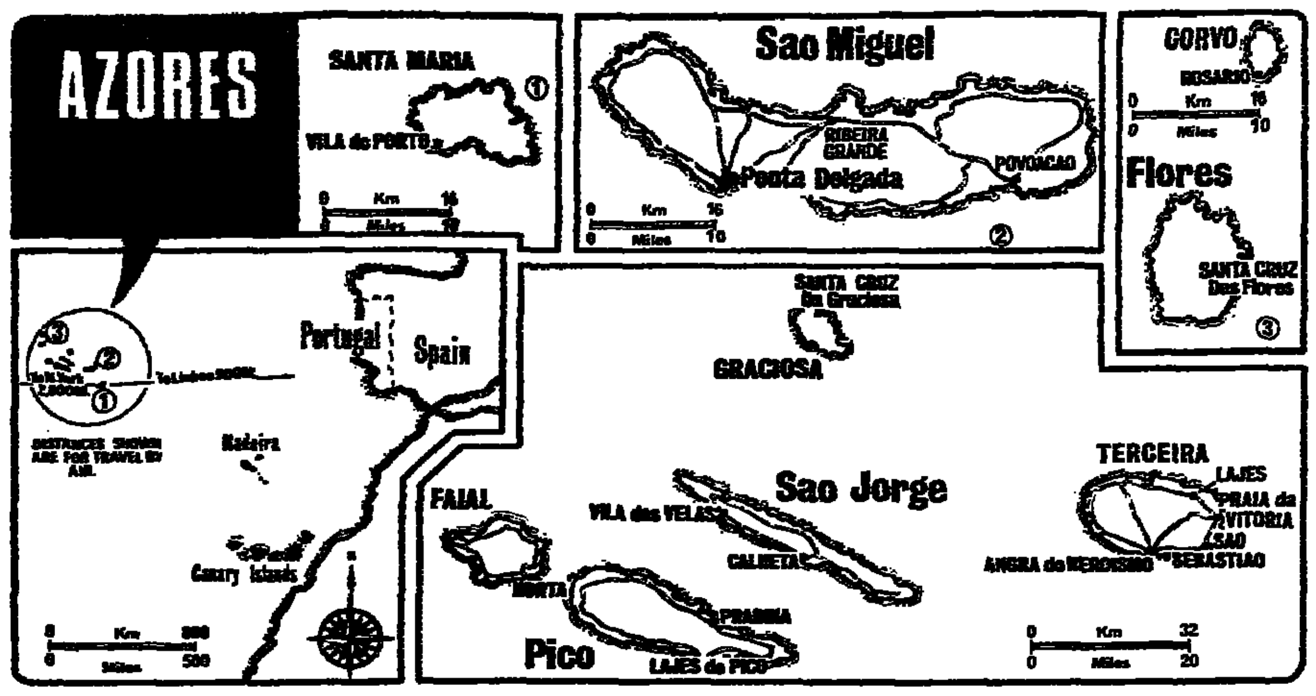
Benefits and uncertainties in EEC membership

The economy

DAVID WHITE



Rooftops at Angra. The authorities have difficulties in filling the islands' hotel rooms



THE HARD LESSON for the EEC's new members is that after waiting so long to join, they have not really arrived anywhere, but on the contrary are just starting out.

Nowhere is this more the case than in the Azores. The islands are not only one of the Community's poorest regions—a fact which guarantees them a certain amount of EEC aid—but their main agricultural livelihood is suddenly much less secure.

The regional authorities are looking to foreign investment for jobs in new activities, and are starting virtually from scratch. They have no choice but to strike out in new directions. The islands' trade has depended up to now overwhelmingly on mainland Portugal and three-quarters of sales there are animal products, a market where there is competition from now on from surplus-ridden northern Europe.

Only a small proportion of exports go elsewhere—canned fish to Italy, fresh fish, embroidered goods and cheese to the US. Even there the market, among the emigrant community, is largely a captive one. The Azoreans have no tradition in marketing their products.

As much as 29 per cent of employment on the islands still comes from farms and fishing. Industrial jobs, mainly in processing the products of these activities, have been increasing their share, from 25 per cent five years ago to about 28 per cent, and forecasts by the regional government show them shortly overtaking the number of jobs in the primary sector.

An estimated 2,000 or more new jobs a year are required to absorb the supply of labour, and even then the islands' relatively low unemployment rate of about 5 per cent can be expected to rise. Women, by island tradition less educated than men and kept to the home, are joining the search for work. At present, barely one in five Azorean women of working age has a job.

An incentive plan for employing first-job seekers, backed by EEC funds, is weighted to favour female employment, and the Government is also putting funds into job creation and training.

The investment effort so far has come mainly from the public sector, concentrated on improving infrastructure. This year the islands are due to receive their first Esc 2.1bn slice of EEC regional funds to help finance commercial ports on the island of Santa Maria and at Praia da Vitoria on Terceira Island, as well as an airport extension at Ponta Delgada on the main island of Sao Miguel.

When completed, the islands will have three airports capable of handling international flights, even before the question has really been answered of what they will all be used for.

A regional development plan for the first five years of EEC membership — going up to the end of 1990 — calls on financial resources (at 1986 prices) of Esc 56bn. Two-thirds of the effort is to go into economic development. The third plan of its kind since 1977, its priorities are fishing, tourism and — inevitably — agriculture.

Fishing accounts for about 2 per cent of the regional product, twice as much as in mainland Portugal, but is under strength. One advantage of isolation is that the islands have been able to establish exclusive economic rights over 1m sq km of sea. But they have to use the transition period of EEC entry to modernise and enlarge their fleet (with some Community help) to be able to occupy this zone.

Maritime resources are perceived as a store of potential wealth, but the store is unquantifiable; no reliable assessment has yet been made of fish stocks.

Tourism is even more under-exploited. Last year's total of visitors, including Portuguese, came to a modest 85,000. Means of access are limited; apart from the Portuguese airline TAP, which connects with the mainland and runs scheduled flights through to the US, the only connections these days are charters organised for the Azorean community in North America. Pan Am and TWA used to stop off on their way across the Atlantic, but no longer do so.

Of the foreign contingent, Germans far outnumber the rest, but are still only an adventurous trickle.

There can be no doubt of the islands' capacity for bringing in substantial tourist income, but the authorities are concentrating on quality rather than quantity, aiming to draw in visitors prepared to pay for specialised activities, from big-game fishing for tuna and marlin to thermal cures. The old baths at Sao Miguel's hot spring centre of Furnas are being refurbished.

"We have always said the same thing," says Mr Filipe Bensaude, chairman of Bensaude E Companhia, which among many other things helped to start tourism in the Azores 50 years or so ago. "This is no place for mass tourism, only for select tourism, for people who want to get away from civilisation."

The group, as a sideline to its main bunkering and shipping-agent activities, operates the country-house-atmosphere Sao Pedro Hotel in Ponta Delgada and another, pure 1930s-style hotel at Furnas. It could expand, but Mr Bensaude is against. He is sceptical about the possibilities.

The islands' weather is mild year-round, with mean temperatures moving in a narrow range between about 13 deg C (55 deg F) in winter and 23 deg C (73 deg F) in summer. But it tends to be damp and unreliable, and skies are rarely cloudless. The water is good "for the hardened," says the sole full-length travel guide, published in German and "sea bathing is possible the whole year." But the beaches are of dark volcanic sand.

Two five-star hotels which have been built on Sao Miguel threaten to be white elephants. One, with 110 suites overlooking the remarkable twin lakes, one green, one blue, of Sete Cidades, has been sitting unopened. Meanwhile, when the Santo Cristo religious festivities come around next month, there will be no empty hotel rooms left. The islands have at most 1,800 hotel beds.

"It is a vicious circle," says Mr Bensaude. "You won't get charters unless you have beds, and you won't get beds unless you have charters."

The islands have two golf courses, and a third is planned. But Mr Bensaude says it cannot compete with the south of Portugal. However, he effectively declares his own position when he adds: "I would hate to see this turned into an Algarve."

Reluctance to take on major changes can be found in other sectors, and explains the low profile of local industry.

Manufacturing in the Azores faces obvious problems in the small size of the local market and in the cost of transport. But the authorities are hoping to attract light industry, taking advantage of regional incentives, the islands' position between the Americas and Europe, and their low Portuguese-level wages (average monthly pay around Esc 40,000 to Esc 50,000).

A new investment promotion body is being organised, and industrial parks being completed on Sao Miguel and Terceira and a free trade zone is being set up on Santa Maria. Located next to the US-built airport, which has been deprived of its past importance, the project is modelled on Ireland's Shannon. But some people question how much of a success it can be as long as it is limited to one small island.

The authorities are hoping to attract activities such as electronics (despite one bad experience in this sector, a US-backed soldering operation which proved to have no market), which has the advantage of high value-added and low weight and volume.

Investment projects are handled locally, without having to go through Lisbon to be approved, and those well used to the ways of Portuguese bureaucracy will realise this is one big plus point for the islands.

Vineyards and maize on Sao Miguel island. A high proportion of work in the Azores is on the land

Angra, capital of Terceira island, where the port is an important base for the Azores fishing fleet

Dairy farming a powerful sector

Agriculture

DIANA SMITH

THE WANDERING herd moves slowly over the newly-paved road, trailed by a mare and her foal.

They are ringed by yapping dogs, and goaded on by sharp cries from men slapping the fat rumps of Holstein cows with local versions of a schoolteacher's cane.

Car drivers peer impatiently for an opening between the solid ranks of dairy cows that obstinately occupy every inch of road. They must wait until a cow, or three or four, decides to step aside.

In many Azores islands—especially Sao Miguel, Terceira and Sao Jorge — the cow is queen of the latest cycle in the Archipelago's agriculture: dairy farming. There is no point trying to push her out of the way on a road that will be used by lorries carrying materials for a new industrial estate.

Why the mare and foal? Because on Sao Miguel, where pastures are a rich, deep green, cows are milked in the fields not in barns. Their milk is carried on horseback to private or co-operative dairies that represent a powerful sector of the Archipelago's economy.

There are 200,000 head of cattle in the Azores, and 250,000 people. The cattle graze serenely amid spectacular scenery up and down slopes that run from high peaks to the water's edge. Holsteins were found to adapt well to the climate and conditions, and yields are high—often 40 litres of milk a day.

Only a horse can manage most of the giddy heights over which the cattle graze. In a recent spate of modernity many farm vehicles broke down irretrievably on terrain hostile to them. A four-legged animal is not the fastest, most powerful means of getting milk to the dairy, but it is often the only means.

Idiosyncratic volcanic islands rising from the mysterious depths of the Atlantic, in what is to many people the middle of nowhere, demand idiosyncratic approaches to cultivation. Hardy, hopeful settlers, who arrived years ago from mainland Portugal, Flanders, Holland and France, and their descendants, have developed the art of the possible, showing a flair for survival in conditions that would unnerve the average, modern urban dweller.

Undaunted by dense, unfamiliar vegetation, strange rocks and regular earth-tremors, early Portuguese settlers planted vines. Some islands still produce wine. Flemish settlers brought the plant that produced dyers' blue woad, which once gave early Britons their fearsome aspect; but when indigo was found in Brazil, the growth of woad shrank.

Later, sugar cane, wheat, flax, oranges and lemons—to supply passing vessels and prevent crew and passengers from developing scurvy through vitamin C deprivation—became major crops, often shipped to the Portuguese mainland.

In the twentieth century, farming — apart from the ubiquitous cow — concentrates on pineapples (a luxury product grown in greenhouses), tea (making the islands the EEC's only tea-growers), sugar beet and passion fruit (made into a popular soft drink), figs, tobacco (for export and local consumption), sweet potatoes and yams. Most of these crops were developed from exogenous species introduced to the islands by travellers or imaginative merchants.

Gulf Stream

On Sao Miguel, the visitor suspects anything could grow. The flora dazzles on an island whose second name is "green isle." The parallel with the Emerald Isle a thousand miles north is not forced: like Ireland, the Azores benefit from the Gulf Stream's climatically-moderating effect.

At this time of year, the Azores start to show off their colours—a riot of flowers along roads and lakesides, in parks and gardens. In the spring festival of Santo Cristo on Sao Miguel, the pavements are thickly-carpeted with azalea and rhododendron blossoms. Growing wild everywhere are bird-of-paradise lilies that cost a fortune in European florists. Soon the bright blue hydrangeas will be in bloom.

Banks and bushes of azaleas of every shade, on flatlands and tumbling down slopes, draw the eye. So does the variety of trees. Some are native; many are imported to grow rife, like the Japanese cedar, to provide timber for the building industry, or like the giant araucaria that towers over palms, plane trees and camelia bushes.

Not everything is for show: the Azores grow bulbs during Europe's winter for export to Holland where they will flower.

Whether the dairy industry can flower now that the Azores, an autonomous region of Portugal, belong to the EEC, remains to be seen. Dairymen have invested heavily in new technology and better quality.

The large Sao Miguel units—Prolacto (Nestlé), Lacto Acoriano and Lacticinios Loreto—efficiently churn out tens of millions of litres of milk a year as well as powdered milk, powdered whey and pungent "Ilha" cheese, or Edam-type cheese, much liked on the Portuguese mainland. Ilha cheese is exported to Massachusetts and California, to Azorean-Americans who demand the produce of their native land. Once the full effect of EEC agricultural policy hits them after a blow-softening transition period, they are unsure of what their future will be.

But the sturdy Azores have overdone, and survived the loss of, other agricultural cycles, with their own government, so that the danger of a drop in the milk cycle seems less shattering. Strolling Holsteins are likely to be around on new and old roads for a while yet.

Echoes from other countries

The People

DAVID WHITE

ONE OF the first things you notice about the Azores is that, for all the expanse of ocean between and around the islands, there is little maritime feel to them: the Azoreans are not passionate about the sea.

Traditionally, many of them even built their houses facing away from it. As a people, they are more attached to their footholds of productive land than to the frequently hostile element surrounding them.

Descendants of farmer-settlers, their ancestors began to arrive towards the middle of the 15th century, initially from southern Portugal. Until then the islands were uninhabited and (although they had appeared in maps the century before) unclaimed. It was not until years after the first colonisations that the westernmost islands of Flores and Corvo were discovered.

The addition of a Low Countries element to the Portuguese stock created a mixture that has echoes in the Dutch influences to be found in north-eastern Brazil. The name of Horta, the port on Faial Island which served once as a revictualling point for whalers and new for yachtsmen, may have come from an early leader of Flemish settlers, Josse van Hurtere. And an alternative old name of the Azores ("Hawke") archipelego was "the Flemish Islands." Later settlers also came from France.

On top of the natural attractions of coastal and hill scenery and strange geological accidents, the islands also display the manner in which Portuguese ways and architecture were able to adapt to the new habitat. Rural walls, kerbstones, and the dark surrounds of doors and windows which contrast with the white walls of the churches and older houses are all of basalt stone—old lava.

The islands' volcanic origin is ever present. The last eruption, off Faial, took place in 1957-59, and the last earthquake, which hit Terceira and also damaged Sao Jorge and Graciosa, in 1980. But such manifestations of subterranean activity, where the sulphurous guts of the earth come bubbling or steaming to the surface, are cherished by Azoreans with a kind of homely affection.

The islanders, with their patriarchal families, show a fierce attachment to their individual islands. It may be because they were colonised from different parts of the continent—Terceira and Graciosa, for instance, by industrious folk from Portugal's northern Minho region—or because they are so spread out, but the sense of solidarity between the islands is at best tenuous. They have their own folklore and religious ceremonies, and their own newspapers (including the 150-year-old O Açoriano Oriental, published in Ponta Delgada, which claims to be Portugal's oldest).

The Azores are really nine separate communities, although the tourist rarely has time to visit more than two. The standard circuit takes in only Sao Miguel and Faial, with a view from the latter of the mountain of Pico, rising 7,750 ft out of the sea. Rare are the visitors to tiny Corvo. In bad weather, they risk staying longer than they bargained for, and there are no hotels.

Inter-island differences are perpetuated among Azorean communities in other countries. The archipelago has been producing emigrants since not long after it was settled itself. Azoreans joined the organised colonisation of Brazil. From the second half of the 18th century, whaling ships from Newport and New Bedford began the trend of emigration to the US, and since the 1950s there has been a renewed flow to Canada.

However, the islands have provided few of the army of emigrant Portuguese workers in the EEC. They have more consciousness of the US than of Europe, and Europe in turn has little consciousness of them. Tourism may eventually change that, but the islanders are not so certain they want many tourists. That is not to say they are hostile: indeed, quite the contrary. The visitor will find the fine-featured Azoreans to be refreshingly friendly, helpful, unobtrusive and straightforward people, with a keen sense of pride.

This pride is evident in the upkeep of the townships and the countryside. It is mingled with a certain brand of conservatism epitomised by Dr Joao Bosco Mota Amaral, the region's president, a devout Catholic. The Azores have no nudist beaches—but neither (a striking absence when you arrive from Lisbon) are there any beggars.

Plan to harness geothermal steam

Energy

DIANA SMITH

WHEREVER YOU stand on the island of Sao Miguel you are reminded of the volcanic origins of the Azores. The grey-black stone that decorates white-washed churches and houses is basalt, a volcanic rock.

The shimmering pale-blue or pale-green lakes that dot the highlands lie in the craters of extinct volcanoes.

Hot mineral springs and rancid, sulphuric geysers gush from the bowels of the earth, offering relief to the rheumatic and arthritic, but little pleasure for the palate or nostrils.

In the heights of Serra de Agua de Pau, in the centre of the island, a project is underway to harness the geothermal force lying beneath the surface to produce 25 per cent of Sao Miguel's electricity within four or five years.

The plan is daring—and expensive. It requires a $30m investment, a weighty sum for a region whose total 1986 budget is Es 30bn ($190m).

If negotiations, now in their final stages, are successful, the project will be undertaken by a joint venture of General Electric of the US, with financial backing from General Electric of Portugal and a consortium of Portuguese banks and insurance companies, and Stone and Webster, the major US civil engineering corporation.

Stone and Webster will handle drilling, General Electric harnessing, which follows relatively simple technology of the type already put to use in Iceland, Italy and California.

Rather like oil-company contracts, the operators will drill several wells if necessary, until they find geothermal steam under sufficiently-high pressure to generate ten megawatts of electricity when the entire project is operating. Electricity generated will be sold to EDA (Electricidade dos Açores) the Archipelago's electricity corporation.

The Serra de Agua de Pau looms over Ribeira Grande, which the regional government is promoting as a new industrial estate. Ground has already been levelled, and roads laid on the estate, and soon a model pavilion will be built.

With pre-cleaning to remove corrosive elements from the steam and hot water that runs at a constant temperature of 98 degrees centigrade, the authorities hope it will be possible to pipe steam and naturally-hot water to factories on the estate.

All being well, with an energy source that is in principle, inexhaustible, the authorities hope the project will be in full operation within three years. If it goes well, it will be a spur to similar projects on the island of Terceira, for which surveys and studies have already been completed with encouraging results, and later, on the island of Faial, well to the West.

The possibility is also being explored of building hydro-electric schemes on Sao Miguel, the most heavily-populated and well-watered island of the archipelago, and actively fostering use of alternative energy by industry, to decrease dependence on imported oil derivatives.

Major dairies, like Lacto Acoriano, now use wood—a raw material in plentiful supply on Sao Miguel—not fuel oil to generate steam. Houses, hotels and restaurants boast wood-burning fireplaces to offset the moderate but damp climate that prevails in winter.

Since autonomy, the authorities have laboured hard to take electricity to hamlets that not long ago lived by the light of oil lamps. It is not an easy task. Cottages and hamlets lie far from each other over difficult terrain. But slowly the archipelago is moving into the electrified twentieth century, and growing numbers of electricity poles can be seen clambering up sheer cliffs and down slopes, across fields and into tiny, close-knit communities.

هكذا من الأصل

The Hayward Annual/William Packer

An elegantly ambiguous test of our interests

The Arts Council's Hayward Annual is here again and rather earlier in the year than usual (until June 15). This time there are two selectors—Jon Thompson, artist, teacher and critic; and Barry Barker, gallery director with long experience both in the public and private sectors. They have chosen work by 32 artists, much of it very big and greedy for space, but though the galleries are full, nothing is compromised or crowded. Indeed the installation throughout is admirable with the exhibition itself, *qua* exhibition, extremely handsome and enjoyable, and many beautiful and intriguing things displayed. But this is a Hayward Annual after all, and there is also no doubt that Thompson and Barker have devised as rigorous and elegantly ambiguous a test of our interests and sympathies as any in this often difficult and controversial series. Associated British Foods have sponsored an education programme, with guided tours and teachers' packs, which should find many takers.

The selectors are the first to have been allowed to extend their scope beyond the work of British artists and art made in Britain, to include work from abroad. They have exploited their opportunity with a considered restraint, drawing only upon the work of European artists in the hope that any mutual relation with British art will reveal itself. After adumbrating the effects of what they rather mildly call "the appropriating zeal of the New York art market" since the 1950s, they go on to say that British artists "have started *once again to feel themselves a part of Europe*." There is many a worse premise for a major exhibition than this modest generality, but their particular purposes here run a little deeper. Quite when they came to see that, in or out of Europe, "the vanguardist impulse had run its course, and that a new pluralism was abroad" is not declared, though the idea has been current since at least the later 1960s. That both of them are now open and committed pluralists, however, is made very clear.

They disavow the long-held view of 'modernism' as a function of historical progress, and with it the old liberal certainties of material betterment in general, in favour of something altogether more sceptical and *conservative. Out goes any idea* of the driving necessity of the 'avant garde' impulse and the *disregard for the past* that follows upon it, "the view that it was art's destiny to move forward *in advance of social progress*; that art's task was to clear the ground and light the way." The 'reactive vanguardism' of successive modernist élites rejecting and *replacing their predecessors in* their turn will no longer serve. "Suddenly the doors seem wide open to a whole range of possible ways of working and possible ways of viewing work." Come back variety, idiosyncracy and particular quality, all is forgiven.

New or not, it is a sympathetic case that is put well enough in the catalogue texts and with a nicer, more ironical wit in the exhibition proper, by presentation of the very work that all too often has been called up to serve the contrary case.

The title of the exhibition, *Falls the Shadow*, is taken from T. S. Eliot's *The Hollow Men*, which entire poem is teasingly apropos, no part of it more so than the last, which is given in full as an extended epigraph to the catalogue:

"... Between the conception
And the creation
Between the emotion
And the response
Falls the Shadow ..."

Thompson treats the poem at some length in a separate essay. What concerns and intrigues him is Eliot's view, which the poem obliquely expresses and he shares, of the nature of the artist's *creative act*, and the quality of its inevitable frustration. Art is nothing if it is not *true, yet it can only aspire to* truth. The shadow falls upon the empty page as the hand *moves towards it, and falls* again as it withdraws. For the artist, as for the lover, time stands still, "the poet lost to the desire for poetry and the painter lost to the desire for painting." The artist too must suffer his "*little death*."

Eliot invokes "Those who have crossed With direct eyes, *to death's other Kingdom*": from which passage Thompson moves on to consider "the *macabre possibility that our* subject, the artist, is moved by a desire for oblivion; is enamoured of death." This is *indeed so, though often* unacknowledged; for all true art, of whatever kind, fixed as it is *upon the moment, can only con*front us with the common mortality, the profound and *melancholy realisation that all* must pass. The truest, most beautiful and joyful things were ever the most poignant: "Life might last! we can but try!" And if it is so, it must be so—which I take to be Thompson's point—quite as much of contemporary and modern art, minimal and conceptual art, as *of anything of* Eliot or Shakespeare, Rembrandt or Mozart.

It is in the nature of these *mixed* and personal shows, and no invalidation at all, that anyone may take exception to much of it. Thompson's and Barker's show has its sillinesses and disappointments enough — a vast and empty mud wall by Richard Long; glib ironical self-celebration from Gilbert & George; Christopher LeBrun tasteful to the point of invisibility; Baselitz crudely indulgent. Compensations come, however, at every turn.

Ruckreim's massive stone slab, split apart and set enigmatically against the wall; the impenetrable, haunting simplicity of Alan Charlton's paintings, with their identical grey panels; the robust expressionism of Markus Lupertz in painting and sculpture, at once primitive and classical in its references; a magnificent Bomberg self-portrait of 1932 to show that the new spirit in painting has long flourished in England; Bob Law's refined, attenuated bronze obelisks, simple and potent images with their balls and notches; Wolfgang Laib's strange low metal houses bursting with rice; Barry Flanagan's large and lugubrious baby elephant—so the list goes on. The mass of work is openly physical in its presence, directly accessible to any viewer prepared to open himself imaginatively to the experience. The demonstration, that the physical and the cerebral are not mutually exclusive but complementary, is solutary. Barry Barker's shall be the last word: "The true work of art has no guaranteed meaning; each viewing of it can be seen as the first one, as immediate and as uncorrupted by other people's reaction to it, as if it had never been seen before .... It is the acceptance of this responsibility that the artist seeks from the viewer . . ." Well said and bravely shown.

"Elephant," by Barry Flanagan, at the Hayward Gallery

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In my review of April 9 of the splendid exhibition of Impressionist Drawings now at the Ashmolean Museum in Oxford, I mistakenly gave the sponsor as being the National Bank of Scotland, a body subsumed into the Royal Bank of Scotland some 30 years ago. In acknowledging such inadvertent republicanism, I wish not only to apologise to the Royal Bank but to make my loyalty at this of all times perfectly clear.

Tchaikovsky Trio/Wigmore Hall

Paul Driver

The Tchaikovsky Trio, formed in 1976, reformed in 1981 when its members had all moved out of the Soviet Union, endorsed by Mstislav Rostropovich, made its London debut on Sunday evening at the Wigmore Hall. The programme — not announced till late, which perhaps accounted for the relatively small audience—consisted of Beethoven's *Opus 1 No 1* trio in E flat, Brahms's C minor work, Op. 101, and the only published *piano trio* by Shostakovich, his Op. 67 in E minor.

The first of these was done with plenty of bite and an acute feeling for its idiom, but the performance did not, I found, restore fresh colours to the familiar old score. The pianist, Konstantin Bogino, brought a well-nigh Schoenbergian explosiveness to the opening of the Brahms, and all three musicians ensured the music's stormy development. The muted Presto was fetching enough, though not entirely enchanting; nor was the Andante grazioso particularly magical or even particularly sumptuous — *throughout* it Bogino's piano slightly overbalanced the strings. In the Allegro molto the pianist, ever enthusiastic, too often risked the coarse and clustery.

One was expecting great things in the Shostakovich, notwithstanding *memories* of a recent, hardly surpassable account by members of the Borodin Quartet and Peter Donohoe. It proved a highly spirited and deeply convinced reading, but far from ideal. The eerie sounds at the beginning were not exactly focused, and while the movement certainly got into its stride, one again regretted an unbridled quality in the pianism. The Allegro non troppo was a success — tempestuous and brilliant. The piano solo at the outset of the Largo was too forceful, almost *clangorous*, and the strings subsequently tended to the cloyingly impassioned. The *darkly* insouciant opening of the finale was well captured, but the piano's theme was brazen, and there were moments later of excessive, hysterical intensity. The players could have achieved a *more* awesome and poetic result if they had used restraint.

LPO/Festival Hall

Richard Fairman

Musical traditions die hard. In the absence of Jesús López-Cobos the LPO had to field another conductor for their Mozart programme at the Festival Hall on Sunday afternoon and the choice fell on a young Austrian, Franz Welser-Möst, assistant to Maazel, Ozawa and (next year) Abbado.

His music-making proclaims his nationality. If anyone felt that the Austrian style had died with Karl Böhm, they can think again. This was Mozart in the central tradition: lyrical, strong, forthright, throughly musical in every way. Only Welser-Möst's energy gives away a younger man, as he darts about the podium and makes a few extravagant gestures that were not available in the last years to Böhm, the old professor rooted to his chair.

All the best features were here. The *Haffner* Symphony, after a sluggish start, moved on to a development section with a potent sense of mystery and a slow movement with a keen ear for melody. And in the Requiem, direct and authoritative, there was a similar refusal to slip into sentimentality or self-indulgent mannerisms. Just a couple of the more reflective movements—the "*Recordare*" and the "Benedictus"—were on the plain side.

In vocal terms the performance was less successful. By today's standards the London Philharmonic Choir is a large chorus for Mozart and they managed the more intricate part-writing with decent clarity, but at other times one longed for less strength and more finesse. The soloists were an ill-assorted quartet: Linda Finnie a ripe mezzo not well matched with the lighter bass of David Wilson-Johnson, and the tenor Anthony Rolfe Johnson at a good deal less than his best, sounding tired and strained.

The best singing by far came from the soprano, Felicity Lott. Earlier in the concert she had given a limpid and beautiful account of the motet, *Exultate jubilate*. Perhaps Mozart's original singer, the celebrated castrato Rauzzini, might have found more heroism in its outer movements, but few can have made the central slow section so ravishingly sensuous. The cadenza, its high A a mere breath of tone, was a moment to treasure.

Edmond Ironside/Battersea

Charlotte Keatley

At a converted school hall in South London, *Edmund Ironside*, Anglo-Saxon king, lumbers out of the archives and on to the stage after a wait of 350 years, to weigh into arguments about his validity as Shakespeare's earliest hero. The play has been edited and laboriously annotated by Eric Sams, published in January, vigorously pooh-poohed by academics (including these pages) and has now to stand up for itself in the flesh.

I am hugely convinced that the text is Shakespeare's but unconvinced of Bridge Lane's dramatic possibilities: for such an intriguing event and a play stuffed with battles and urgency, both venue and company exude a shambling amateurishness more akin to Shakespeare's rude mechanicals. Eric Sams was put on the scent by an Ephraim Everett monograph of 1954, and his research includes computer techniques to identify 635 of Shakespeare's rarest words in the text, and 350 phrases which pop up in subsequent Shakespeare plays. I find it both comforting and convincing that genius should not be above re-using his good lines; moreover, would a Shakespeare contemporary bother to sit down and memorise hundreds of the Bard's idioms as a short cut to playwriting? It is usually plots, not style, which are plagiarised; nor was Shakespeare's style (he put clocks into Roman plays) as respected as Jonson or other more Latin informed writers.

Finally, there is the crucial question of date: handwriting, spelling and watermarks have been scrutinised and Sams propounds hidden references to Drake's 156 escapades amid the Anglo-Saxon context. Nothing convinces me so much as the embryonic psychology of the Henry IV trilogy and splashes of gratuitous violence as in Andronicus, which suggest Ironside as a forerunner of the 1590 plays.

Director Tim Heath's static production does little justice to this Boy's Own swagger of a play: Canute of Denmark invades England in 1016, only to be confronted by "big-boned" Edmund Ironside; both are deceived by the deliciously scheming Edricus, ploughman's son made good as Duke of Mercia vividly played by Peter Benedict. Elsewhere, stiff acting, monotonous pace, weak gesture (Ironside wags his finger) and no sense of internalised emotion in the company offer nothing to carry us over the less skilled writing or the pudding texture of end-stopped decasyllabic blank verse (a hallmark of early Shakespeare).

Visually, this would have embarrassed most school productions. The kings got the best costumes and everyone else had to rummage in the dressing up box. Bits of paisley, brocade curtains, cheap jewellery and assorted leather belts and boots give a dowdy Seventies atmosphere to the court of Canute, enforced by shaggy hair candles, burnished colours, and banners flourished over a crude floor map of England, amount to a bad pastiche of RSC heraldry, not helped by inconsistent lighting cues. The woodwind accompaniment sounds distinctly Renaissance.

The evening is redeemed by the sense of the hunt: Shakespearian motifs tumble out. There are the word compressions such as "base vagabond," "sheep-biter" and "nothing-fearing hotspurs," and characters counsel each other and see portents in the heavens. There are idiosyncrasies such as characters entering mid-conversation, which is the sort of detail I don't think a plagiarist would observe or bother with. Structure and scenes include the o'erthrowing of monarchs, interludes of rude mechanicals, and master and servant exchanging clothes. Most significantly, the plebians are portrayed as despicable rabble, yet the *muddy realism of the farming* folk displays an intimate knowledge of rural life and its problems. Who, amongst the half-dozen recorded dramatists of the 1590s, was this countryman *as yet untutored in the art of* writing plays?

Christopher Norton-Welsh/Purcell Room

Andrew Clements

The programme of Austrian songs that the baritone Christopher Norton-Welsh put together for his Purcell Room recital with Gordon Kirkwood on Sunday evening contained all kinds of fascinating cross-linkages and musical relationships. It presents a survey of the form through the 20th century—contemporary Austrian music was represented by the first British performance of three songs by Franz Eugen Dostal, a link with Great Britain by Egon Wellesz's song cycle *On Time*, Op. 63; but the main thrust was concentrated on Vienna at the turn of the century, from Zemlinsky and Schreker to Alban Berg.

Almost all the songs selected were early representatives of their composers' styles, for that reason the strongest flavour that came through was that of Brahms—in both Schreker's uncharacteristic Two Songs Op. 5 and a group of four songs by Karl Weigl (1881-1949; a pupil of Zemlinsky), as well as rubbing shoulders with the shades of Schumann and Wolf in some fascinating settings by Alma Mahler-Schindler, written I think (for the programme offered no dates) in the period of her study with Zemlinsky around 1900. Dostal's music proved to be scarcely more advanced: mildly chromatic, it resembled early Schoenberg more than anything, and certainly gave off no strong personality of its own.

Yet whether with more forceful interpreters Dostal's music might have asserted itself more positively is difficult to estimate. Norton-Welsh, for all his evident knowledge of this particular corner of the repertory, proved to be a totally inadequate advocate. Even the more familiar pieces—Zemlinsky's Six Maeterlinck Songs Op 13 and Berg's Op 2—were delivered in the same dreary, toneless and tonally unstable way, so that their intrinsic quality was drained away also. Sometimes it was hard to tell where one song ended and the next began for the unvarying monotone suffocated everything in its path.

Tuckwell Quintet/St John's

Paul Driver

The Tuckwell Wind Quintet gave superb performances of two of the masterpieces of wind music—Nielsen's 1922 Quintet and Janacek's 1924 *Mladi* (Youth) for sextet (here Stephen Trier's bass-clarinet was added to the ensemble) — in a BBC lunchtime concert broadcast live on Radio 3 yesterday. The players have, beyond their individual brilliance (which was often enough brought out, particularly in the variations finale of the Nielsen), an easeful, seasoned and wonderfully lively ensemble. It would be hard to find more flairful and musically gratifying exponents of this medium.

The vernal flourishes and abundant trills of the Neilsen's substantial first movement gave tactile satisfaction. The Minuet—familiar from the backgrounds of any number of radio and television programmes—was chirpy and fresh, Poulenc-like and delightful. The chorale variations of the finale were executed with audacity and style.

Mladi—nearly contemporaneous with the Quintet and similar to it in concept if distinct in idiom—followed on happily. The added bass-clarinet contributed delicious liquidity to the texture. All four movements were beautifully done, but the third, a "March of the Bluecoats," *featuring Peter Lloyd's piccolo*, gave a special tinge of pleasure.

Duo recital/Wigmore Hall

Richard Fairman

The best singers always leave their audience wanting more. But Ann Mackay took this axiom to its extreme at her Wigmore Hall recital on Saturday, when she sang just two lines and then left the stage for the rest of the evening.

Her sudden indisposition was to be regretted in every respect. This had originally been planned as an unusual programme for soprano, flute and harp, exploring the ever-fertile backwaters of the French repertoire and featuring one London first performance, Robert Walker's *Singer by the Yellow River*. After Miss Mackay's abrupt departure, like a hostess who has decided that the guests can manage by themselves, the flautist Susan Milan and harpist Caryl Thomas were left to carry on alone.

The results was a pleasant, if heavily curtailed evening. Its centrepiece became the two works by a little-known French composer, Eugène Bozza (b 1905). His *Deux Impressions* for flute and harp have what seems to be a typically post-Debussy atmosphere, the flute always close to imitating Debussy atmosphere, the flute *Images*, a flute solo, proved to be a fine virtuoso piece. Bozza has a high reputation as a composer of wind solos.

Susan Milans exhuberant delivery did the technical demands of the latter work full justice. Her partner Caryl Thomas chose as her solo Fauré's *Impromptu* for harp (1904), a mature and quite sizeable piece. After the impressionistic Bozza, the first strong diatonic chords of the Fauré seemed almost ungracious; but this is a wide-ranging work, the equal of the impromptus for piano in its balance of melodic and harmonic inspiration, a jewel of a solo for any harpist.

London arts/Antony Thorncroft

A Capital solution

A deep sigh of relief should have resounded across London *at lunch-time yesterday* when two organisations, Greater London Arts and Westminster City Council, announced their plans to pick up the financial tabs on the funding of the arts left by the abolished GLC, which already seems to be an historical footnote.

The best news came from GLA, which, with a budget now of over £6m a year, is larger than the Welsh Arts Council, is a funder of arts organisations. Its director, Pat Abraham, said yesterday that around 330 of the 360-odd arts organisations which received regular funding from the GLC could expect aid this year on a similar scale from GLA.

She was even optimistic about the 30 or so organisations whose fate had not yet been decided: there was still money on the table — from GLA, from the successor boroughs to the GLC, and from the so-called Richmond Scheme.

GLA, which is funded by the Arts Council, has done a fine job negotiating with the twenty six London successor boroughs. The GLC gave £15.5m to 420 arts organisations, of which just over 360 were on regular retainer. The Arts Council had provided GLA with £9m to make good the gap. The rest had to come from boroughs, and from Richmond.

Heavy negotiations have managed to solve almost all the problems. Islington finally came into line, securing the Almeida and (unless there is a bad hiccup) Sadlers Wells. Camden was particularly generous. Even outer boroughs, with a poor reputation for arts spending, like Barnet and Croydon, came good. The situation is that, for this year at least, the arts in London are financially secure.

Pat Abraham made mention of the benevolence of Westminster. Across London, Lady Porter, Leader of that Council, was spelling it out. Westminster is spending £3m on the arts, of which two big national companies, the English National Opera and London Festival Ballet, get more than £1m each. The middle rank—the ICA, Regents Park Open Air Theatre, Shared Experience, etc — are looked after. There is £50,000 for local activities, with an emphasis on community participation; £200,000 to match pound for pound proposals for sponsored events, or fund raising, when the arts group has been able to draw in a corporate sponsor.

The Government must be pleased with the way things have gone. The Minister for the Arts, Mr Richard Luce, was on hand to preach yet again his message that while the Government had increased arts funding by 10 per cent in real terms since 1979-80 (a figure hotly disputed by the National Campaign for the Arts which takes different criteria) future extra funding lay with business.

He announced that the Business Sponsorship Incentive Scheme had produced £7½m new money for the arts since October 1984, of which £5.3m came in new sponsorship, the rest in Government matching grants. Politics cannot be divorced from the arts these days but the overall picture is that things are much better than most people envisaged a year ago.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

April 11-17

PARIS

Maguy Marin company: May B in honour of *Samuel Beckett's 80th birthday*. Centre Georges Pompidou, Grande Salle. Premier Sous-Sol. (4278 7995).

Sofia's National Opera and Choir present Prokofiev's War and Peace alternately with *Mussorgsky's* Khovantchina (concert version). Théâtre des Champs Elysées (4723 4777).

LONDON

Royal Opera, Covent Garden: Concert performances of Semiramide and yet another revival of Barbiere di Siviglia, this one conducted by Alberto Zedda and a cast led by Gino Quillco and Ann Murray. (240 1066).

English National Opera, Coliseum: Lionel Friend takes over Parsifal from Reginald Goodall; with luck the production might have acquired some dramatic point as the run has progressed. Valerie Masterson still holds sway as The Merry Widow, while the acrobats arrive for The Bartered Bride. (836 3161).

BRUSSELS

Theatre Royale: The National Opera conducted by Sylvain Cambreling. La Finta Giardiniera by Mozart.

NETHERLANDS

Amsterdam, Stadsschouwburg. The Netherlands Opera with the Italian section of the CIVIL warS by Philip Glass and Robert Wilson, directed by *Robert Wilson. The Netherlands* Philharmonic under Lucas Vis, and the Netherlands Chamber Choir conducted by Siebe Riedstra (Tue). (24 23 11).

Scheveningen, Circus Theatre. The *Nederlands Dans Theater* with Jerome Robbins' Afternoon of a faun (Debussy), and Jiri Kylian's *L'Enfant et les sortilèges* (Ravel) and Overgrown path (Janacek). (Thur). (55 88 00).

WEST GERMANY

Berlin, *Deutsche Oper: Die Soldaten*, produced by Hans Neuenfels. Don Giovanni brings Cheryl Studer, Pilar Lorengar and Lenus Carlson together. Katja Kabanova has Karen Armstrong in the title role. Elektra *has fine interpretations* by Helga Dernesch, Ute Vinzing, Marita Napier and Hans Beirer. (34 381).

Frankfurt, Opera: *Don Pasquale* has Barbara Bonney and Bodo Schwanbeck. Der Rosenkavalier features guest singer Aage Haugland, Barbara Bonney, Helena Doese and Adalbert Waller. Eugen Onegin has Benjamin Luxon in the title role. Orpheus in der Unterwelt rounds off the week. (25 621).

Cologne, Opera: Tristan und Isolde with Spas Wenkoff, Waltraud Meier and Jeannine Altmeyer is an event of more than passing interest. Cosi fan tutte is a Jean Pierre-Ponnelle production. The Rake's Progress has Georgine Resick and Josef Protschka in the main parts (20 761).

Munich, Bayerische Staatsoper: Fidelio has Sabine Hass, Siegfried Jerusalem and Kurt Moll. Der Fliegende Holländer has Robert Schunk in the title role beside Astrid Varnay and Sabine Hass. Carmen, sung in French, is conducted by Guiseppe Patanè. Also Elektra and Madame Butterfly. (21 851).

ITALY

Rome: Teatro dell'Opera: A new production of Massenet's Herodiade (in French) conducted by Gianluigi Gelmetti. Excellent cast includes Montserrat Caballe (in the part of Salome); Juan Pons as Herod, Agnes Baltsa and Jose Carreras. This is the first Rome performance and the first performance in Italy since 1919. (46 17 55).

Milan: Teatro alla Scala: Three ballets by the Russian Choreographer, George Balanchine: Balletto Imperiale and Pas de Deux to music by Tchaikovsky, and The Prodigal Son to Prokofiev's music. (80 91 26).

Trieste: Teatro Comunale Giuseppe Verdi: Un Ballo in Maschera with Adelaide Negri, Ambra Vespasiani and Carlo Cossutta (63 19 48).

Naples: Teatro San Carlo: Don Quichotte by Massenet conducted by Jan Pascal Tortelier and directed by Piero Faggioni (also responsible for the scenery and costumes). In the cast are Ruggero Raimondi, Martha Senn, Michel Trempont and Aldo Bramante. (41 82 66).

NEW YORK

Metropolitan Opera (Opera House): The week features Parsifal conducted by James Levine with Leonie Rysanek and Peter Hofmann; Don Carlo with Mara Zampieri; Sir Peter Hall's production of Carmen conducted by James Levine with Maria Ewing in the title role and Catherine Malfitano as Micaela. Lincoln Center (362 6000).

FINANCIAL TIMES SURVEY

Tuesday April 15 1986

Direct Marketing

Computer technology and new methods have raised standards of accuracy in reaching target groups for sales campaigns. In the face of increasing costs of other advertising, demand is growing in sectors such as finance

Pinpointing the consumer

By David Churchill, Consumer Affairs Correspondent

DIRECT marketing has emerged as one of the fastest-growing and most cost-effective means of reaching target audiences with a sales or promotional message. The business has benefited from the escalating costs of other advertising and through efforts to raise standards and introduce greater professionalism.

Credit for much of this improvement in the UK must go to the Post Office which clearly has a vested interest in the granting of direct mail — and to bodies such as the British Direct Marketing Association and the Direct Mail Services Standards Board.

But the growing demand for direct marketing services, especially from areas such as finance and travel, has also prompted a rise in standards. Techniques in defining target groups and the mechanics or direct marketing have been improved out of recognition in the past few years, helped by imports of new methods from the much larger US direct marketing industry as well as from the benefits of new technology.

Direct mail is the main part of the direct marketing sector. It accounted for some £324m of advertising expenditure last year, which makes it a bigger medium than rivals like magazines and the regional press. But the growth of telephone marketing has also been significant.

New areas such as interactive networks based on home computers or via viewdata systems also point the way forward from mail-shots of the past.

What underlines the growth in popularity of direct marketing as a modern medium is that users can more accurately measure the response to the marketing effort than probably any other medium. Unlike advertising campaigns, a direct appeal to the consumer can be evaluated quickly for its cost effectiveness and either abandoned or developed.

The techniques and opportunities feature prominently in a direct marketing symposium and exhibition at Montreux starting this weekend. This is the 18th gathering of direct marketeers from across the world and is expected to attract more than 2,000 participants.

Financial marketing is the key in the sector. It is likely to continue to grow, aided by increased consumer awareness in buying shares, and developments in the City of London, which require putting a particular financial message across. The wave of mega-mergers is leading to increasingly sophisticated measures to provide shareholders with information through the post.

The clearing banks are also following the lead set by the insurance companies and unit trust operators in talking directly to their customers about services on offer.

Retailers are beginning to embrace direct marketing. "Marks and Spencer will try direct marketing," suggests Mr Rod Wright, client services director for Ogilvy and Mather Direct. "Bloomingdales in the US has had enormous success and so has Brooks Brothers."

Travel, cars and consumer durables are also popular areas for direct marketing as companies recognise that their best customers are their existing ones.

"Direct communication whether it uses the mail or telephone, or both, not only provides greater contact, making it more personal and private than television or newspapers, but also encourages regular dialogue between the company and the customer," says Mr Chris Gater, a director of direct marketing company Christian Brann.

Mr Christian Brann, who has left the company he founded to concentrate on independent consultancy after 35 years experience in direct marketing, agrees that direct mail is an important and powerful channel of communication. But he says: "It suffers from the fact that it can be practised by almost anyone, apparently without any training or experience.

"The need for expert writing, design and production in direct mail is not as obvious as it is in display advertising or in the production of television commercials."

So direct marketing standards are often poor and the industry's reputation suffers," he says.

Another factor affecting the growth of direct marketing is that it is often seen merely as an off-shoot of advertising rather than a sector in its own right.

"The prevalent mentality of direct marketing agencies is advertising-led rather than marketing-led and product-led rather than benefit-led," says Mr Brian Rayment, of Mailplan International.

He believes that too little emphasis is given to the psychology of reaching potential prospects. "Too few agencies consider the differences between the doormat and the desktop—in other words whether one is trying to reach a person at home or at work," he says. "Approaches should be totally different."

To help companies realise such differences, the Post Office helped establish the Direct Mail Sales Bureau to promote the medium, especially with advertising agencies.

It was also among initiators of other moves to improve the image of direct marketing. For example, the Direct Mail Services Standards Board was set up as an independent body with financial backing from the Post Office.

The board has two main functions. Firstly, it started a recognition scheme for direct mail agencies. To qualify, the agency must satisfy the board that it complies with the codes of the Advertising Standards Authority and provides services only to clients who subscribe to those codes.

Direct mail agencies are then able to use the board's symbol on their literature. Some 125 have been recognised by the board.

The test does not end there, however. Recognised agencies are then required to make annual submissions of trading accounts and the board can withdraw recognised status if it finds the agency does not come up to standard.

The second function rewards recognised agencies through a refund of just over 1 per cent financed by the Post Office on annual postal bills for mail shots. Agencies have qualified for about £2.2m of refunds.

The board also monitors standards in direct mail generally. It examines samples from recognised agencies as well as all types of mail-shots sent to consumers. Most problems are found with sweepstake and prize-draw types of mailings. This is not because of attempts to break the law but because rules covering such mail-shots are extremely complex.

The direct marketing industry has also sought to enhance its image with the creation of the Mailing Preference Service. This was set up by the big trade associations supported by the Post Office to counter criticisms about the rise in unsolicited mail being received by the public.

As direct mail has grown as a marketing technique, so has the amount of unwanted mail sent to consumers. The preference scheme enables consumers who find such unsolicited mail an intrusion to opt-out of direct mail lists.

The snag is that consumers have to take the positive step of obtaining an application form to enter the service. About 30,000 have asked for their names to be excluded from mailing lists, although nearly 5,000 have asked to have more mail sent to them about certain areas in which they are interested.

More than 120 direct mail operators belong to the service, paying subscriptions based on annual volume of mailings.

The service is not entirely altruistic as companies have a vested interest in keeping recipients of mail shots happy — otherwise they will not want to buy the product or service offered. They also save wasted stationery and postage on people who do not want unsolicited mail.

If standards can be maintained and improved, the future for direct market looks sound.

Earlier this year Mr David Ogilvy of Ogilvy & Mather told a Paris conference that direct marketing was growing twice as fast as general advertising.

"Soon it will become the tail wagging the dog!" he said.

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Direct Marketing 2

Big spenders short of jungle guides

THERE IS no dispute that the financial sector is the most dynamic of the direct marketing industry. Just as the major financial institutions — the banks, the building societies, the insurance companies, and stockbrokers—took their time getting to grips with the marketing concept so they were slow to embrace direct marketing.

But now it is transforming their business, and with the arrival of the Big Bang in the City of London in the autumn and the freeing of controls over the building societies early next year, the stage is set for rapid expansion.

The only problem is the lack of enough experienced executives in the direct marketing industry to guide these big-spending clients through the jungle.

The financial institutions are ideally placed to use direct marketing. For a start they are sitting on the most comprehensive lists in the country—all those account holders already computerised and waiting to be exploited. One of the Big Four banks would have about 5m names and addresses to follow up, and an insurance company like the Prudential almost twice that number. Since lists are the key to successful direct marketing, the financial institutions are off to a flying start.

Deregulation

They must, however, be careful. Barclays tried to develop its business by offering its account holders its credit card. But then it was forced to turn down many applicants, causing much ill-will, because they were 20 years old or less, and the bank did not want their custom.

Lists have to be combined with the more sophisticated socio-economic pinpointing techniques, such as Super Profile, which, based on the electoral register, has taken over from Acorn as the best guide to selective direct marketing.

Once the banks have switched their lists from their initial accounting base to take on the lifestyles of their customers there is nothing to stop them offering other financial services. They have seen the way that deregulation in the US has spawned competition and if they do not move quickly they will lose business not only to the building societies but also to the main retail groups, which have already developed credit cards. Marks & Spencer, for example, is testing direct marketing methodically. It already has 1.2m cardholders it is in regular contact with and it will, in time, offer them travel and other services.

Soon the monthly bank statement might be stuffed with offers for mortgages, insurance, pensions and travellers cheques. NatWest has taken the biggest jump into the future with an offer based around a prize draw. The response was very encouraging.

The main problem for financial institutions will be finding the specialists to devise effective direct marketing campaigns. Although the advertising agencies have been forced, often by their clients, to take below-the-line promotion more seriously there are little more than a dozen really proficient practitioners in this area, and there will obviously have to be a sharing of accounts, and no worries about conflicts.

At least the entire industry now appreciates the marriage of all the marketing techniques, and few financial institutions will ignore the role of television in building up confidence in their brand, the press for attracting, through coupons, potential new customers, and the direct mail-shot to confirm the sale. At least the days when the banks and building societies sat back and waited for clients to call in to collect information are gone for good.

The first aim of the institutions will be to sell new services to existing clients rather than to entice away their rivals' clientele—it is cheaper that way. For a start using your own lists should reduce a direct mail shot to below £300 a thousand while acquiring a list means campaign costs nearer £350 a thousand. Indeed one useful attribute of direct marketing is its defensive capability — it can protect your customers from the competition.

Lists remain the key to success. One successful practitioner, evaluating the four elements in a direct mail shot, gives the list a weighting of 200, the offer a weighting of 100, the format 50 and the creative element just 30. But if the creativity of the shot is not over-important a great deal of creativity can go into an idea. For example, Mercantile Credit did very well by realising that most people received rates bills and that, for a consideration, local authorities would often be willing to allow the company to ride on the rate demand with details of its financial services.

While the Budget has put a stop to one of the worst features of financial direct marketing — "cold" calling to the public by telephone by salesman of insurance and other services — the revolution in the press this year has speeded up the testing, and improved the regional selectivity of newspaper offers. The great thing about direct marketing is that every campaign can be tested on a small scale, using alternative strategies, before the big push.

Along with the computer, the improvement of lists and the use of laser address systems, the application of direct marketing has never been more refined.

There remains the problem of personnel. Inspite of high salaries, direct marketing still *fails to attract enough of the* brightest people in marketing. The new approach is to recruit marketing executives from client companies rather than advertising whizz kids. For *advertising agencies it still* represents much harder work for smaller rewards. One estimate is that the return in fees is one tenth of that for a large television campaign.

Even so, direct marketing budgets in the financial area can run into millions (TSB has recently admitted to spending £2.5m a year). The growing sophistication of the Post Office (postage is still the major cost factor) has ensured better value for money, but the great sales point for direct marketing is not its cheapness but its effectiveness.

A good mailing shot can produce a measurable return of 5 per cent. Advertising is almost impossible to evaluate and a coupon on a press advertisement can be reckoned a success of it attracts replies from 0.1 per cent of the newspaper's readership (although one of the recent success stories in financial marketing has been the use of the popular dailies to sell insurance).

But if a return of 5 per cent still seems small there is also the potential for goodwill in the mailing shot comparable to the *goodwill engendered* by an advertisement.

These are exciting times for financial marketing. As well as the Big Bang and deregulation, there is the Data Protection Act to be surmounted in the next month. There is also the chance that the competition envisaged in the next two years may be taking place against a declining Stock Exchange, which will be a real test of nerve and creative imagination.

And there is one whole new area of business opening up. Glenmore Trenear Harvey sold out his direct marketing company to Ogilvy & Mather, but he is now returning to the fray in a new sector—investor relations. During the recent takeover scramble, companies like Guinness and Imperial have spent millions on advertising to their shareholders. How much better to keep them loyal to the company by more regular mailing shots?

Most companies just send out the annual report. A package once a quarter with information about the company's progress and perhaps some testing of new products or other offers might seal their allegiance and prevent the need for sudden and costly last-minute fights.

Antony Thorncroft

Valuable secrets unlocked

BY ITS mode of *operation*, direct marketing is a discreet medium. Successful practitioneers hug their lists to *their* chest and any promotional package that has proved effective is not disclosed to the competition.

Just as the overall expenditure *on* direct marketng is a mystery, although the Post Office's latest estimate placed it at £324m a year and growing, so there is little guidance for new practitioners other than experience, which can be secured at great cost.

So when companies parade their case histories on such occasions as the Direct Marketing Award organised by the British Direct Marketing Association and the Royal Mail, prospective new participants should take note.

The gold award in 1985 was won by FCB, one of the advertising agencies which takes direct marketing seriously, for its client Harmsworth Press, *publishers of* The Field.

The aim was to sign up new subscribers. A list was used of ABC 1 consumers with an interest in the countryside and the response was 4.26 per cent (very good for this medium) with a signing up response of 0.78 per cent. The main attraction was a miniature copy of The Field, plus the offer of a Chatsworth lightweight gun as first prize in a draw.

Companies are realising the effectiveness of multi-media marketing, and the silver award went to the AB Group for its package for the National Breakdown Recovery Club. Four commercial radio stations were used in a light-hearted advertising campaign, linked to 2m money-saving booklets distributed to homes in the same regions. Inquiries were 66 per cent up on forecast, while membership take-up was 93 per cent above expectations.

One of the great growth areas is business-to-business marketing but, it is an area where mistakes have been made. As Mr Brian Rayment of Mailplan International, says: "Too few agencies consider the differences between the doormat and desktop—the prospect at home or at work. Approaches should be different."

The award winner in this category was DDM Advertising and its client British Telecom Mobile Phones. The mailing consisted of a briefcase-sized box sent to 1,200 Ford main dealers offering them the chance to become accredited stockists and installers of British Telecome cellphones.

The box had to be impressive to match competive offers. It contained the dashboard of a car with a cellphone in place, and a cassette recorder containing an audio letter recorded from a cellphone, plus a message to customers.

This costly package was delivered by private courier, and an inquiry response of 10 per cent, with a conversion rate of 25 per cent, delivering 30 dealers, was required to allow a break-even *on the* recruitment costs in the first year. In the event 97 dealers were signed and break-even was achieved in a third of the forecast time.

Runner up in this category was Apple Computer, also a client of DDM, which mailed 130,000 managers and professionals such as architects and stockbrokers, with an offer to test drive the Apple Macintosh personal computer. The response was forecast at 1 per cent but in practice totalled 3.8 per cent, or 5,080 test drives.

Another runner-up in this sector, Janssen Pharmaceutical, with agency Vanbeck Advertising, has a success in the highly competitive medical industry. In an attempt to get GPs to try its anti-emetic product Motilium it offered 32,000 docors a free cassette of Beethoven's Pastoral Symphony. The target was a 20 per cent response but the actual result was 44 per cent. Sales grew during the promotional month from 55,000 to 90,000.

One obvious growth area in business-to-business marketing will be the greater use of the telephone to clean up lists, follow up mailings, and even in cold calling. In the US this is one of the most familiar tools of the trade and there is still some way to go before British companies acquire the necessary sophistication.

British industry has not had much encouragement from advertising agencies to become involved in direct marketing. But as advertising costs rise, and the precise evaluation of direct marketing begins to sink in with big companies so the agencies are responding.

They have nothing to fear from direct marketing. It fulfils a different role from advertising, and the most efficient companies are combining all the marketing techniques.

Antony Thorncroft

Dilemma of computer revolution

COMPUTER-BASED techniques are beginning to change the *face of direct marketing* but the revolution is at an early stage. The dilemma for companies involved is whether to take the initiative and strive towards market leadership *through immediate exploitation* of the new technologies, or whether to adopt a wait-and-see *approach, hoping to learn and* benefit from the failures of others.

"Over the next 10 years, technological developments will make possible fundamental *changes* in the ways that organisations do business," says Mr Tim Johnson of the consultancy Butler Cox.*

"Those organisations that ignore these changes are likely to suffer from the use of technology either by traditional competitors or even totally new ones able to break into the market by using new developments in technology.

Computers rarely create new marketing techniques, but they can add new force and accuracy to old ones. A good example is the use of post code analysis to help improve targetting of direct mail.

The Post Office conveniently splits the country into 120 postal areas and sub-divides it into 2,700 districts and 8,900 sectors. A single sector contains about 2,500 households and is described by the first four characters of a postcode, such as SE1 8.

Specialist computer bureaux like CACI and Pinpoint use map tracing techniques and clever computer software to convert these little parcels of the population into co-ordinates stored in the memory of their computers.

National census data, however, which contain a rich seam of the kind of information marketing staff need to target *mail* shots more precisely, is gathered from the 130,000 enumeration districts in the UK *with some 12 to 20 enumeration* points per sector.

The trick is to use the computer to combine the two sets of data so that the geographic distribution of consumer characteristics can be easily seen and studied. The system provides all the necessary post codes for direct mail shots in a form ready to be fed to a laser printer.

Companies using this technique include Grattan, the mail order group; Circular Distributors, the door-to-door leaflet and sample distributors; and Thorn EMI. They reckon to save thousands of pounds through more accurate mail shots.

Laser printers have made a significant difference to the quality and effectiveness of direct marketing.

They make possible the production at very high speed of high quality "customised" letters and leaflets indistinguishable from material printed using traditional inflexible technologies.

The principle is simple. A laser beam controlled by a computer is scanned across a moving belt via a mirror system. The image is constructed by switching the beam on and off as the beam scans the belt. The belt takes up the image in the form of an electrostatic charge.

The image is then transferred to paper, toner is applied to the paper *and the image finally* heat fused in place. A laser printer such as the Xerox 97000 *can reach speeds of 18,000 lines* a minute.

Because generation of the image is under computer control it can be changed at high speed simply by alterations in the software. This enables long production runs of direct mail, for example, with a separate, customised message on each sheet if desired. The quality of the image by the laser printer is also virtually indistinguishable from the best letterpress printing techniques.

The mailbox is traditionally the target for direct marketing. New technology is spreading that target area to include the television, the telephone and the domestic computer.

The key is interaction. Television viewers are passive receivers of conventional television advertising. Interactive television forces the potential customer to respond.

Experiments in teleshopping, direct order entry from home, are already under way in the US and in a small number of European countries including France, the United Kingdom and West Germany. The most commonly used technology is videotex or viewdata, where messages are sent between the home and the service operator's computer over the telephone line. The messages, whether text or image, are displayed on a modified television set.

The chief difficulty with this technology is the quality of the images displayed on the screen. They can act only as a simple representation of the products on offer.

Mr Johnson, of Butler Cox, *believes that mail order and* shopping catalogues could be replaced by interactive videodisc *systems* coupled to *videotex* equipment.

Interactive videodiscs have massive capacity and can be used to replay very accurate video images, either as stills or as moving pictures.

Messages

Such a composite system would link the visual accuracy of the interactive videodisc with *the order entry capacity* of videotex. Such hybrid systems are already operating experimentally in the US (Comp-U-Store operated by Comp-U-Card and J. P. Stevens) and in West Germany (Otto Versand, the mail-order company). The disadvantage is that the customer has to have both an interactive videodisc player and a videotex set to operate the system.

Direct marketing using electronic mail is even more of a specialist activity, depending on a reasonable population of home computers.

Electronic mail *is a method* of moving messages from one computer to another reliably and cheaply. The *usual* technique is to establish an electronic "pigeonhole" or mailbox for each *subscriber in* the memory of a large computer. Correspondents can address *mail to* their intended recipients mailbox, but cannot read what has been stored *there.*

The recipient uses a personal computer and dials into the computer centre to find if there is a message and can read it on his screen.

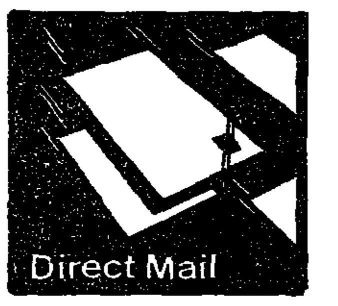
That message could be advertising. Electronic mail is only a *couple of years old* in the UK but already the first customers are bemoaning the dross they *have* to clear from their systems—the equivalent of leaflets through their door.

But couple national census results with a breakdown of electronic mailbox owners, and you have direct marketing fit for the 21st century!

**Information Technology: Its Impact on Marketing and Selling, Butler Cox, December 1984.*

Alan Cane

Golden day for the Royal Mail



BRITTANIA Music, a discount music club selling records and tapes by mail, recently presented the Post Office with its own Gold Disc to mark the delivery of 30m discs and tapes throughout the UK over the past 16 years.

"Our business would not be in the leading position it is today without the modern mailing methods that the Post Office offer, bulk users," says Mr John Nelligan, Brittania managing director.

Every four weeks Brittania's headquarters generates 450,000 club magazines and other literature plus order forms and invoices which adds some 7m items to the mail traffic handled annually by its post office in Romford.

Portland Holidays also believes the Post Office has been one of the key factors in its growth. Since appearing on the travel scene some six years ago, Portland has flown more than 500,000 holidaymakers to Spain, Greece and other destinations and has achieved an annual turnover of more than £60m.

"Without the Royal Mail network we would not have a business," says Ms Melanie-Jones, Portland general sales manager. "All our brochures are sent by post."

New business is generated through regular direct mail shots which have included offers of free travel bags and free insurance for customers.

These companies, and many others, are among the committed users of direct mail as a way of developing and expanding business. But equally, many other companies are put off using the medium because of the bewildering array of services.

Direct mail involves communicating with private individuals at home or with business executives or professionals at their home or business addresses. If correctly used, it matches its message to the target.

"You ought to talk differently to the chairman of a company and to a buyer of office products," says. Mr Christian Brann, an independent consultant on direct marketing.

An early avenue to explore is the Post Office itself, which has improved its special schemes for the first-time and regular users. These include discounts for advertisers using direct mail for the first time on first-time mailings of 1,000 items or less.

But for bigger mailings it now also incorporates a sliding scale allowing significant special discounts which may be additional to any standard discounts. A first-time direct mail shot of 100,000 items, for example, could attract free postage on 40,000 items in addition to the normal rebate.

The introductory offer for new users of the Post Office's reply-paid services has also been enhanced. Companies applying for the reply-paid offer may now be eligible for free postage on their first 500 replies —an increase of 200 on the previous total.

Costs

The Post Office also has special schemes for those wanting to mail overseas, even if they have previously taken advantage of similar schemes confined to the UK.

The recent reduction of 1p in the cost of the basic second-class postage is also seen by the Post Office as a means of stimulating direct mail. With postage accounting for about a third of direct mail costs, 1p off means savings on overall campaign costs of about 2.5 per cent.

Using direct mail, however, requires that the company has a list of addresses of people who might be expected to respond to that mail-shot.

The list business is structured so that the list owner and the client are often brought together with the aid of a broker who advises, searches, and negotiates for lists and handles the administration. In return, he takes a percentage of the list price from the owner's fee, often about 20 per cent.

Brokers, however, still have difficulties in persuading companies to part with lists of people they have on file although brokers prefer to believe this reticence is due to lack of understanding about lists rather than strong belief in maintaining consumer privacy.

One criticism of the list broking business is the high fees charged in comparison with the cost of lists in the US, where the business is much larger and more established. UK brokers, however, say that computerisation of lists was achieved much earlier in the US and, since the market is larger, economies of scale are therefore much greater.

Ms Judith Donovan, who owns and operates a direct marketing agency in Bradford, suggests that the golden rule is to find the right list or lists and evaluate the soundness of the proposition.

"If the right offer is not being made to the right list, then no amount of gimmickry will deliver success," she says.

Companies that remain bemused by the intricacies of the direct mail industry often turn to the specialist consultancy for help and advice. These range from large operators such as Christian Brann, Mailplan International, and Olgivy & Mather Direct, to a host of smaller operators.

David Churchill

Infant industry has culture problems

Training for telephone canvassers is important, yet there are few courses

MARKETING by telephone has made the leap across the Atlantic, but cannot yet be said to have "come of age" in Britain. US-style "telemarketing" or telephone selling remains an infant industry in the UK facing problems of culture as much as administration.

While two-thirds of all expenditure on direct marketing in the US goes on telephone marketing, the majority of telephone marketing companies in Britain have sprung up in the past two to three years.

Most of the outbound telephone marketing in the UK is conducted business-to-business rather than business-to-consumer. The simple explanation for this emphasis is that businesses are reachable by telephone for eight hours a day and consumers for three.

But there are other reasons for the immaturity of the consumer's market. Mr Simon Roncoroni, general manager of British Telecom's outbound service Telecom Telemarketing, says: "Most customers in the UK don't complain, and you suddenly lose business. On the other hand, British marketing tends to be very blinkered. Industry does not want to hear complaints."

Mr Roncoroni suggests that telephone marketing can be used as a measuring device for the effectiveness of other media. A customer given an opportunity to complain may then be mollified and persuaded to buy something else.

He cites the example of General Electric in the US, which now puts a telephone number on every product, to encourage consumers to complain.

British companies are far from such "customer awareness," and British consumers on the whole do not welcome telephone sales which they see as an invasion of their privacy (Whereas potential customers in the US answer the phone with a cheery "hello," in Britain it is more likely to be with the number called, thus setting an instant psychological barrier.)

Despite such limitations, telephone marketing in Britain appears to be growing by leaps and bounds. At the forefront are British Telecom's inbound telemarketing service Telecom Tan and its outbound service, Telecom Telemarketing.

Telecom Tan, which handled more than 600,000 calls in 12 weeks during the British Tele-

com flotation in late 1984, uses sophisticated computer technology to allow potential customers access to information.

The onus is initially on the customer to ring in, having made note of a telephone number placed prominently in an advertisement. The call could end in a completed purchase, or simply provide more information to complement the advertisement.

Telecom Tan has recently increased its capacity to be able to handle more than 8m calls this year, and Mr Clive Bailey, group marketing director, says its client base grew by more than 100 per cent last year.

Inbound telephone marketing has a head start over outbound calls, however, is the consumer's interest in the product has already been stimulated. Outbound marketing often achieves this through direct mail-shot.

Consumer antipathy to "junk mail" may be reduced by careful targeting by the company using telephone marketing. Opinions vary as to whether telephone marketing is necessarily complemented by information through the post.

"If you compare the costs of different (marketing) media, on a unit cost basis a telephone is probably the most expensive" says Mr Roncoroni. "As a result, it should be extremely carefully targeted."

The Institute of Marketing, the professional marketing body in the UK, has a membership of some 21,000 companies and offers training courses in telephone and other forms of marketing. It also acts as a broker, taking clients' needs and matching them with marketing consultants.

"As companies are beginning to realise they have to become market aware, so they are beginning to realise they have to target marketing very precisely" says Mr Ian Griffiths, director of marketing.

Many companies are coy about the extent to which they are prepared to be seen to consider telephone marketing. One of the advantages is that such marketing is invisible—the competition does not know what you are doing, suggests Mr Roncoroni.

Training for telephone canvassers is extremely important. Yet there are few courses, and most companies do their own training.

Telechasers not only trains its own employees but offers test packages for potential clients. These cost approximately £1,250 for work completed over three to four days.

The growth of telephone marketing in Britain has been accompanied by mounting concern over the way some companies appear to be using the guise of market research to obtain names and addresses.

The British Direct Marketing Association (BDMA), the leading trade association representing both traders and service companies using direct marketing, is revising its guidelines on telephone marketing in conjunction with the Office of Fair Trading (OFT).

Dina Thomson

Head start maintained by US size

THE FINAL reminder in a recent US Republican Party mailing to raise funds from supporters who had been lax in regular contributions to party coffers begins: "I wouldn't want to be the one who has to tell the President."

US organisations have realised the possibilities of receiving a measurable response to advertising in the last decade and political parties, financial organisations, charities and even consumer durable manufacturers have turned towards this attractive marketing.

Where the US has led, the rest of the world has followed. British consultant Mr Glenmore Trenear-Harvey suggests that the US still has the advantage of a head start, however. Because of the size of the country there will always be more opportunities to sell.

"New techniques are more easily tested on a population of 250m; media is cheaper and there are more opportunities:

Mr Lee Graham, president of Scali McCabe & Sloves Direct in the US, points to growth in areas such as health care and fast-moving consumer goods.

"Changes in government rules concerning the reimbursement for medical costs has led to an explosion as companies rush into the field of health care," he says.

"But this is just the latest in a long line of industries to discover the applications of direct marketing. In the late 1970s, the beginning of financial deregulation led to an explosion in the banking, broking and insurance sectors. And in 1984, when the AT&T monopoly was broken up, there was a flurry of activity."

One of the big success stories is General Foods' venture into the direct marketing of packaged goods.

Wundermans, their agency, pursuaded them to set up a "coffee club" styled along the lines of a book club. Customers were sent a pottery jar and received through the mail a supply of Gevalia, a specialty Swedish coffee. General Foods is now exploring selling other

products in the same way.

US consumers seem just as willing to purchase expensive items through the mail. American Express has sold a library of leather-bound books.

Mr Graham said that Volvo will this year be selling a vehicle (rumoured to be the new sports car) using direct marketing.

Another US innovator, Mr Ed Nash of CEO/BBD Direct, expounds the virtues of the electronic media.

"People don't read as much any more and so direct marketing will need to develop visually as well as verbally."

A controversial technological development has been computerised telephone selling. The consumer is telephoned at home by a computer with a recorded sales message and offered an opportunity to respond.

This depersonalised approach to selling has been banned in some states as an infringement on personal privacy.

In Europe, technology has been applied in different ways. The "smart card" — a credit card with a microchip, is already in wide use throughout France.

Information is collected at the point of sale about the customer, the item purchased and the location from which it was bought. This data is invaluable to the direct marketer in setting up a mailing list.

A Europe-wide campaign can be successful once the most applicable list is procured, says Ms Ruth Naylor-Smith of international specialists Mardev.

"There are 350m consumers in Europe, making the potential market 30 per cent bigger than the US." she says.

Mr Tim Steele, formerly of Sony and TBWA, and who was responsible for setting up the Diners Club direct mail compaign says. In spite of 10 per cent of the population moving each year and the right mailing lists being almost impossible to come by, he is optimistic.

"Companies which sell technological products make sales to the same 5 per cent of the population year after year, product after product. Lists can therefore be built up and regular contact made with the client.

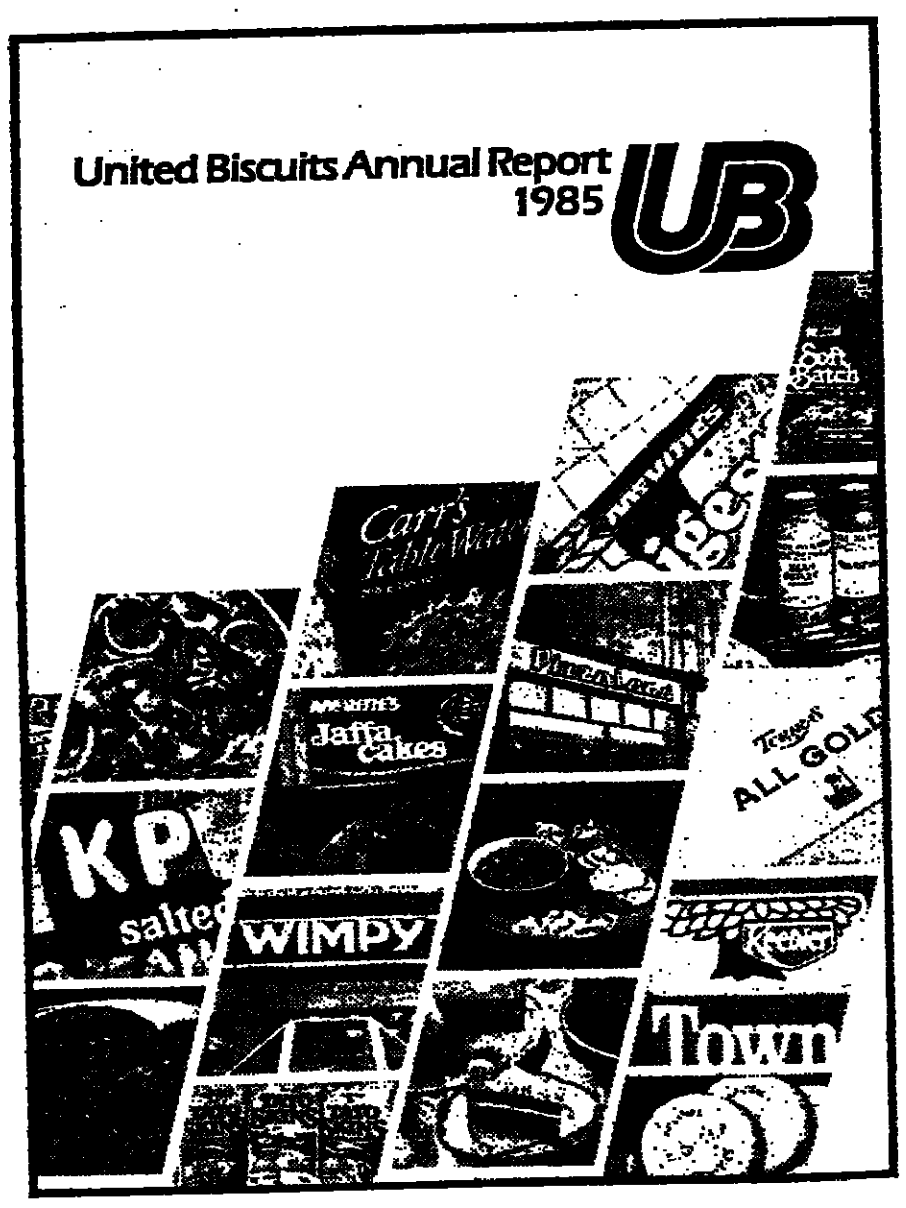
"This kind of multinational marketing is possible with any item which can transcend cultural barriers — fashion, cars, computers."

Most major US and UK advertising houses are developing links with or buying subsidiaries on the Continent to steer their way around language, legislative and psychological impediments.

Perrie Crowshaw

Creating strong brands has made UB a buy-word in the City

(Read our latest Annual Report to see why)



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Hard choices for Israel

THE WEEKEND'S sudden truce in the government crisis in Israel tells us more about the politics of disinflation than about the economic measures required to achieve price stability in a hyperinflationary society. The first political lesson is one which has been sinking in around the world after the recent experiences in Argentina and Brazil, as well as Israel. When faced with a choice between economic austerity and hyperinflation, the public invariably seems to regard inflation as the greater scourge.

The second lesson is less familiar. It helps to explain why governments, especially in over-indebted developing countries, have taken so long to discover that anti-inflationary policies can be the surest route to the public's hearts. Even if electorates are willing to embrace austerity in preference to inflation, politicians are much less eager to endorse and act upon this choice. It is public opinion which exercises a restraining and sobering influence on the politicians, not the other way round.

Old adversary

Thus, Mr Shimon Peres, the Israeli Prime Minister, would presumably have loved not only to pour extra funds into the struggling businesses belonging to the Histadrut labour federation, which has long been allied to his party. It would also have suited him to break up the coalition agreement under which he will soon have to cede power to his old adversary, Mr Yitzhak Shamir. Mr Shamir's Likud Party, for its part, would have liked to turn the unquestioned need for belt-tightening throughout the Israeli economy into an attack directed specifically against Labour's long-established political power base in the Histadrut. In either case, the immediate casualty would have been the unprecedented political consensus which has enabled Israel's anti-inflationary programme to succeed beyond all expectations since it was launched last July.

In the event, the crisis appears to have blown over, largely because both sides feared the electoral retribution they would suffer if they were seen to have undermined the coalition's achievements. Opinion polls have made it abundantly clear that Israeli electors have one overwhelming priority at present — to stick to the counter-inflationary policies in a politically stable environment. At this level, the politics of counter-inflation seem still to be in the ascendant in Israel.

Unfortunately, at a deeper level, the country's political and economic course is less clearcut. For Israel's politicians have been too squeamish from the beginning of the anti-inflation programme about imposing the austerity which the public wants. Thus, even before the setback of the latest Cabinet squabble, there were alarming signs that the country's basic economic problems remained unresolved.

Although inflation had fallen from the 1,000 per cent stratosphere to an annual rate of only 3 per cent between November and January, it appears to be accelerating again. The current 20 per cent to 30 per cent rate, which the Israeli Government regards as a signal achievement, will be difficult to stabilise for long at that level, given the large element of inflationary wage indexation which has been reintroduced since the wage freeze of last July.

Meanwhile, the balance of payments is showing a renewed deterioration. This is hardly surprising; any acceleration in domestic inflation feeds rapidly into Israeli industry's international competitiveness as long as the shekel's exchange rate is being held firm against the dollar to counter an even faster resumption of the inflationary spiral.

The history of past disinflations suggests that hyper-inflation can all too easily return as a result of this kind of lethal interaction between the balance of payments and domestic indexation.

Defence budget

There is only one way Israel can be assured of overcoming its dismal inflationary history. It must go much further than it has done so far in cutting budget deficits and public spending. And while the reductions in government support to industry favoured by Mr Modai certainly have a further role to play, the key to Israel's problems remains the defence budget which consumes 25 per cent of the country's gross national product. Inspite of weakening of OPEC, and the disunity of the Arabs, Israel desperately needs peace with its neighbours. Greater progress towards peace would provide the best assurance that Israel will become an economically viable nation.

Testing time for Mr Ridley

THE BRITISH and American governments claim to share the same beliefs about the importance of free trade and competitive markets. Why then is there so much friction between the two countries over the issue of air transport? Earlier this year, Mr Nicholas Ridley, UK Transport Secretary, became so concerned about the impending expiry of part of the Bermuda Two air services agreement and with the jurisdiction of US anti-trust legislation that he postponed the privatisation of British Airways.

Mr Ridley's position looks inconsistent on several fronts. In recent years he has gained a good deal of esteem for the series of liberal air service agreements he has negotiated in Europe. There has been a lot of rhetoric about the need for "open skies" and the importance of liberalising tariffs and capacity controls. Why, people may ask, should the Transport Secretary be worried about renegotiating Bermuda Two: surely the agreement between the Netherlands and the UK would serve as an excellent model?

This is evidently not the case: what is good for Europe is not good for the lucrative North Atlantic routes. The UK Government's position here is very clear: the market share of British Airways and British Caledonian must be defended at all costs. The emphasis is on "faia" and "equal" competition. But when was a competitive market ever fair or equal? Is a small computer company's position vis-a-vis IBM fair and equal? In the US domestic air transport market, is the position of People Express "fair" as against that of United or American?

Stronger contestant

Mr Ridley should feel somewhat embarrassed in coming months as his officials debate with their US opposite numbers lists of bureaucratic controls on which airlines can operate on which Atlantic routes and how many flights they can offer. The sight of the UK Government trying to defend BCal on the Gatwick/Dallas route is odd: American Airlines is clearly the much stronger contestant and in a normal market would naturally dominate a weaker company.

The difficult practical question is how to move towards a more normal competitive regime in international air transport. The Americans, having seen the benefits of deregulation in the home market — more destinations, lower fares, better service — naturally want to extend liberalisation into foreign markets. Of course they are keen on competition in air transport partly because their domestic industry is so strong: the US position on steel or textiles is less liberal.

Increased access

In the longer-term, international liberalisation may depend on two things. The first is a recognition by the US that its huge internal market should not remain protected from foreign competition indefinitely. The US should be prepared to treat aviation like any other industry: in other words allow foreign takeovers of US airlines and allow foreign airlines to fly on internal routes.

In return, the US should be allowed increased access to foreign markets, for example that of the European Community. This possibility would rest on the second necessary development: faster liberalisation of civil aviation in Europe. The EEC must soon choose between economic nationalism and economic realism; it must decide whether to apply the competition laws of the Treaty of Rome to air transport. If it did so seriously, a handful of strong European airlines might emerge capable of withstanding US competition.

Progress towards liberalisation in Europe or the opening up of the US market, however, will require countries to take a long run and international view of what makes economic sense. The difference between the mercantilist and the free trader is that the former supports liberalisation only when it is in his country's short-term interests. The evidence to date suggests that, over Bermuda Two, Mr Ridley may turn out to be more of a mercantilist than a free trader.

ATLANTIC ARMS TRADE: THE TWO-WAY STREET...

Improvement may yet be a mirage

By Bridget Bloom, Defence Correspondent

THERE IS a mood of self-congratulation creeping into defence relations between the US and Europe, pursued by worry.

The congratulations come because, after a long period in the doldrums, relations do at last seem better across a wide front. In particular, there have been marked improvements in the so-called two-way street in defence trade, for long the source of great friction between the US and its Nato allies, as well as in the climate favouring the joint US-European manufacture of armaments.

Only two years ago, Lord Carrington, taking office as Nato's new secretary-general, described the two-way street as a seven-lane highway from the US to Europe and a single track back. Today that eastbound highway is reduced to about three lanes, and if there is not yet quite a motorway in the reverse direction, there have been major sales successes by European defence contractors, the most recent example being the US Army's $4.3bn contract for the French-built Rita mobile telephone system.

That contract will enable France for the first time to sell more to the US than it buys from it. Even Britain, despite having lost that contract to France, is believed to be in balance in its defence trade for the first time — though this will not last long since heavy spending on the new Trident missile begins very soon.

Much is being made of these developments within Nato, where only today armaments directors meeting in Brussels are expected to take a new step in furthering co-operative production of armaments when they approve six high technology projects for financing by a special fund set up by the US Congress, often the biggest obstacle to good transatlantic defence relations.

There are two underlying reasons for thinking the shift in pattern may prove shortlived, not least because it has been nurtured over the past two or three years by the absence of a major political crisis within the alliance, like that over the cruise missile deployments in the early 1980s. The new approach could easily succumb to a colder climate.

More worrying is the risk of another bout of US isolationism brought on not so much by burgeoning anti-Americanism in Europe (demonstrated in Britain by the Westland and Leyland affairs) but by the anticipated furore over defence spending. This is expected to erupt within the US as the wrangles between the Administration and Congress over the huge US budget deficit gather pace.

For an issue that has provoked such bitterness over the years, the amounts involved in transatlantic defence trade are small: some $5bn a year, compared with the $350-$400bn which Nato collectively spends annually on its defence.

Many people, like the influential Richard Perle, assistant defence secretary at the Pentagon, believe that drawing up a separate balance sheet for defence makes little sense. "We wouldn't expect to balance our champagne trade with France," he said recently. Europe's overall trade with the US favours Europe quite markedly, with a US deficit of some $10bn on total trade of $112bn.

But the focus of Nato's defence ministers is narrow: the steep imbalance in purely defence trade, standing at around 10:1 for much of the 1970s, has long rankled, underlining for Europe the inevitably dominant position of the US within Nato. European anger has been fed, too, by US protectionist measures in the defence field, usually the responsibility of Congress, which were particularly virulent, and often apparently very petty, in the late 1970s and early 1980s.

Today's improved balances are attributed to three main factors.

First, has been the relative success of intensive campaigning against US protectionism within the alliance, with European governments finding support for this both from an influential if small group within Congress and from the Pentagon.

Second, European businessmen and officials seem to have made greater efforts to understand and penetrate the US defence market.

Finally, the figures have been boosted by several large European contracts like the army communications deal, which as it happens have not been matched by similarly large US sales to Europe.

In 1984, when the Netherlands bought US Patriot missiles and F16A fighters, the imbalance in its trade with the US stood at 24:1, reduced last year to 1.5:1 in the absence of such purchases.

No European country has ever succeeded in selling a fighter, warship or tank to the US and probably never will, according to Mr Jim Ambrose, the US Army Secretary. Speaking in his office in Washington last month, he said there could be no question, for example, of a European company bidding for the next generation helicopter, known as the LHX, on the grounds that such competition could undermine US future capacity to build its own helicopters.

Where European companies have been successful, it is usually because they have had something unique to offer and because they have linked with experienced US prime contractors. Such was the case with the $5bn deal involving among other things the supply by McDonnell Douglas, British Aerospace, Rolls Royce and others of 328 jump jet AV8B aircraft, based on BAe's unique vertical take-off and landing Harrier, to the US Marine Corps. Of this sum £2bn goes to the UK.

BA's other major contract, again with McDonnell Douglas, involves development in the US of 300 of the successful British Hawk jet trainer aircraft. The $4.5bn package—nearly 45 per cent of which will accrue to Britain—should provide for the US Navy an overall pilot training system both more efficient and nearly 50 per cent cheaper to run than any equivalent system based on US-designed aircraft.

Thomson CSF of France and Plessey of the UK found themselves competing for the US army communications contract last year because no US company could offer comparably developed systems. Both European companies had US prime contractors.

The Thompson-GTE partnership won on price — $4.3bn against the Plessey Rockwell bid of over $7bn, the latter partly inflated by $600m to cover currency and inflation risks.

At the level of sub-systems there have also been some notable European successes. One of the most significant is the sale by GEC Avionics of the so-called head-up displays for pilot navigation. The company established an early technological edge in HUD development and has now delivered over 3,500 systems, worth some £500m.

European companies have often been successful because they have something unique to offer

For component manufacturers like Ferranti, the rule has been that success comes only through partnership with US prime contractors. The company is involved, for example, in a multi-million dollar contract with Bendix to supply combined map and display systems for the F18 Hornet, while with Ford Aerospace it is supplying laser designators for the same aircraft's night vision equipment.

But those who are encouraged by the improvements in defence trade also see significant developments in several other areas. They believe, for example, that new directives, issued by Mr Caspar Weinberger, the Defence Secretary, to involve more foreign companies in US defence contracting as part of new "value for money" campaigns in defence procurement, could result in bigger opportunities for European companies.

Of potentially great significance, however, could be new moves within Congress to stimulate transatlantic armaments co-operation. Senator Sam Nunn of Georgia, a supporter of Nato, and an influential member of the Armed Services Committee has long believed that Europe should do more to share the burden of alliance defence, and that Nato's overall resources should be used more efficiently.

In 1984, he produced his controversial amendment to the Appropriations Bill—not, in the end, passed—threatening withdrawal of some US troops from Europe unless more was done by European governments to improve conventional forces.

Last year Nunn added a carrot to this stick by requiring the Pentagon to set up a new $250m fund to bost research and development of common weapons systems, on the grounds that this could be a critical step towards eliminating wasteful duplication in Nato's weapons production.

Taken together, these improvements in transatlantic defence relations involve commitments from the US Administration, from Congress and from Europe. So why the worry that they may prove a mirage?

The most immediate reason is fear that many of the new US measures will succumb to the twin pressures of the normal budget-cutting process and the tough new Gramm Rudmann Hollings deficit-slashing legislation which is expected to bite particularly hard on the Administration's 1987 $311bn defence budget.

US officials accept that even today US procurement remains highly protectionist. Maintenance of a very broad industrial base is a key tenet of policy.

Barriers of another sort exist in the stringent rules governing the transfer of technology from the US to its allies. Inquiries in Washington last month turned up only one major co-operative project where there apparently is a genuine two-way transfer of technology between a US prime contractor and its European partners: the third phase of the $4bn Multi-Launch Rocket System, where the US prime, Martin Marietta acknowledges that Thorn EMI of the UK, Thompson-Brandt of France and Diehl of Germany each have particular technologies of their own to offer the project.

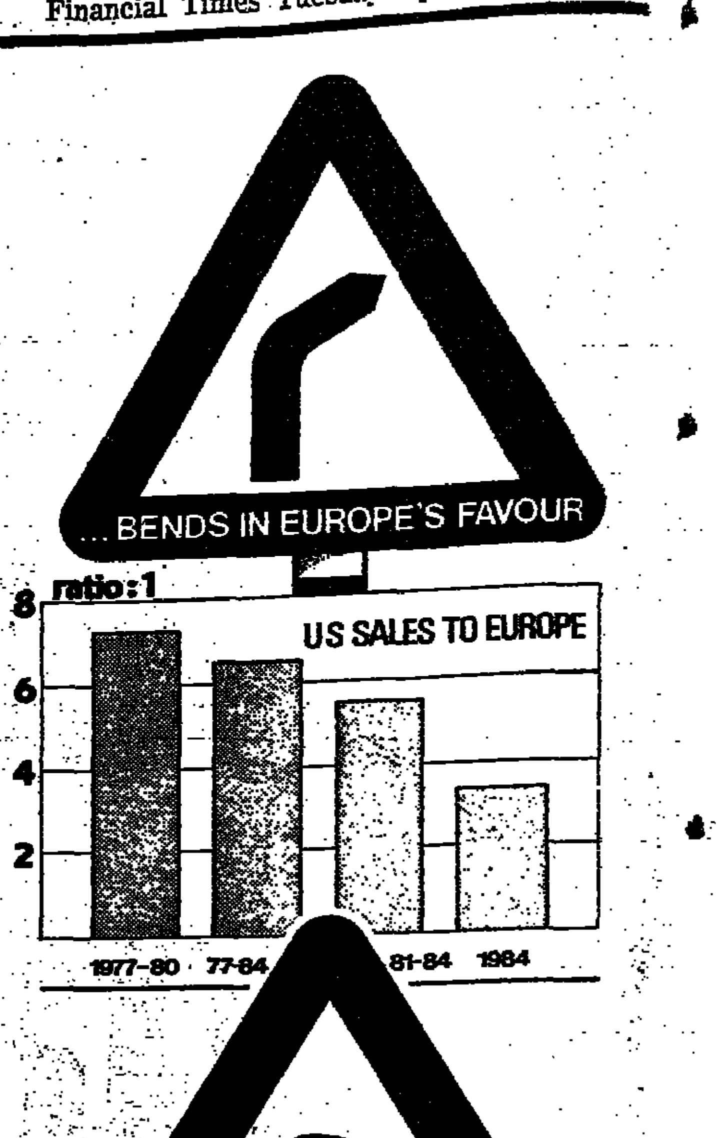
All this tends to support the view expressed by Sir Raymond Lygo, chief executive of British Aerospace, during the Westland crisis, that Europe has little chance of substantial business with the US unless it can trade from a position of strength.

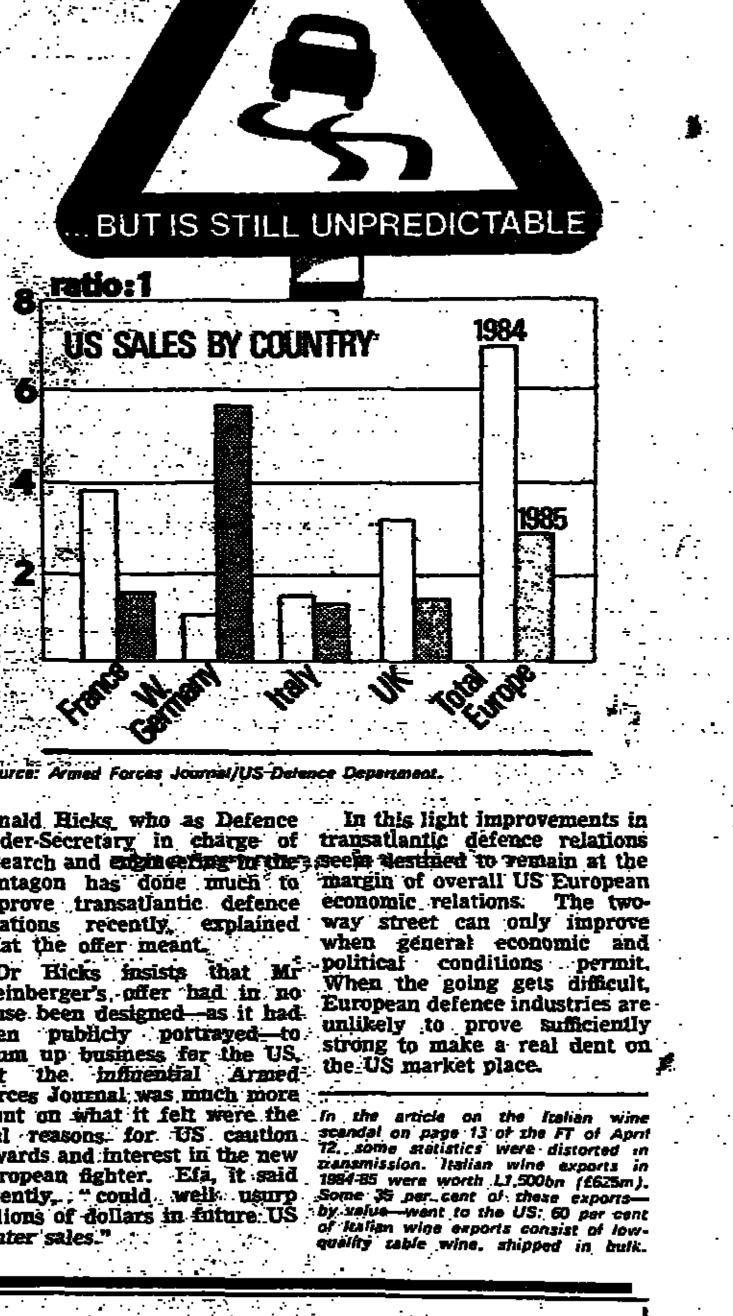
European efforts to step up such co-operation have begun—they were a priority of Mr Michael Heseltine, the former British defence secretary—but only in a very few cases have they reached a stage where they might be seen to challenge the US on the grounds envisaged by Sir Raymond.

Currently, by far the most advanced programme is that agreed last August between Britain, Germany, Italy and Spain to build a new European fighter aircraft (Efa). Last autumn, Mr Weinberger offered US co-operation with Efa, and in Washington last month, Dr Donald Hicks, who as Defence Under-Secretary in charge of research and engineering is the person most destined to remain at the Pentagon has done much to improve transatlantic defence relations recently, explained what the offer meant.

Dr Hicks insists that Mr Weinberger's offer had in no sense been designed—as it had been publicly portrayed—to drum up business for the US. But the influential Armed Forces Journal was much more blunt on what it felt were the real reasons for US caution towards and interest in the new European fighter. Efa, it said recently, "could well usurp billions of dollars in future US fighter sales."

In this light improvements in transatlantic defence relations seem destined to remain at the margin of overall US-European economic relations. The two-way street can only improve when general economic and political conditions permit. When the going gets difficult, European defence industries are unlikely to prove sufficiently strong to make a real dent on the US market place.





Source: Armed Forces Journal/US Defence Department.

In the article on the Italian wine scandal on page 12 of the FT of April 12, some statistics were distorted in transmission. Italian wine exports in 1984-85 were worth L1,500bn (£625m). Some 35 per cent of these exports—by value—went to the US: 60 per cent of Italian wine exports consist of low-quality table wine, shipped in bulk.

Men and Matters

Many sides of Holmes à Court

It would be a shame if observers of the Australian business scene have to shift their attention from the Bell group's Robert Holmes à Court, to the boss of Elders IXL, John Elliott. So much remains to be learned about Holmes à Court and his philosophy.

During the middle of his most recent bid for Broken Hill Proprietary, the Bell chairman took himself off to a small Mediterranean island. At the Gozo home of Dr Edward De Bono, the enigmatic corporate raider spent a week learning to think.

Lateral thinking is the tag always attached to De Bono, since the huge success of his book on the subject. He now says that the concepts are wider than that. Holmes à Court was apparently much impressed by what he encountered.

Back in Perth, Holmes à Court has a full-time curator for his art collection—which includes possibly the finest portfolio of French Impressionism still in private hands. Less well known is the curator's other job.

He is under instructions to acquire the original of every Holmes à Court cartoon to appear in an Australian newspaper. There are now more than 200 in the collection and it has never grown faster than in recent weeks.

Unfortunately for the Australian financier, as word has spread among the lampooning fraternity of the deals available, the market in Holmes à Court originals has firmed. They are now costing him upwards of A$1,000.

"Those Mediterranean prawns look terrified — they're not Libyan are they?"

Banker's book

Bankers are supposed to balance books; they are not so well known as avid readers of them.

But Sir Jeremy Morse, chairman of Lloyds Bank, has been persuaded by Jenny Hargreaves of the BBC World Service to contribute to the series Good Books, by choosing one book he considers outstanding.

Morse's choice is Kafka's The Trial. Appropriate for a banker? Or for a composer of chess problems, Morse's other recreation after reading?

Listeners will have to wait until August to hear his reasons for picking it.

Outsiders

I hope Morse's reading includes The Racing Post, the nation's first Arab-owned national newspaper which hits the streets today.

Battle has been joined between its owners, the Maktoums of Dubai, and Robert Maxwell, the power behind The Sporting Life, Britain's established sporting print.

If Sir Jeremy is a betting man he may well prefer the new paper. For yesterday's Sporting Life brought us the completely false news that Morse has lost his job.

Referring to Colonel Sir Hugh Brassey, the Sporting Life describes him as Lieutenant of the Yeoman of the Guard, and chairman of the Beaufort Hunt. He has, in fact, retired from both posts.

The Sporting Life also refers to him as chairman of Lloyds Bank—a post from which he has not retired for the simple reason that he never held it.

He has, however, retired from his directorship of the Salisbury regional board of Lloyds Bank—not in the same league in banking terms.

On this form I'll look to the Maktoums for my tips.

Oil Light

While other oil ministers from the Organisation of Petroleum Exporting Countries head wearily for yet another prolonged, and probably useless, negotiating session at Geneva's Intercontinental Hotel, the Kuwaiti oil minister, Sheikh Ali Khalifa Al-Sabah, found time to "talk oil" yesterday in the City of London.

An audience of oil company chief executives, bankers and institutional investors, seemingly mesmerised by the Sheikh's arguments for the UK becoming a proxy member of Opec, and cutting its oil production, packed the Butchers' Hall.

Such a move would certainly make life easier for the energetic Kuwaiti minister when he lands in Geneva for this morning's first session of talks.

My man at yesterday's meeting is a bit inhibited about detailing the Sheikh's arguments for North Sea cutbacks, or about the dire effects on the UK's public sector borrowing requirement if his advice is not taken, since the affair was "off the record" at the Sheikh's insistence.

But it was still quite a coup for Humphrey Harrison, oil analyst at stockbrokers, Fielding Newson Smith, who persuaded the Sheikh to talk to Fielding clients.

Earlier this year, Harrison persuaded the then Nigerian oil minister, Prof Tam David-West, into rendering Fielding's friends a similar service.

Only 11 more ministers to go, Humphrey.

Q.E.D.

Unilever recently agreed to give a helping hand to Liverpool and Lancaster university dons who are preparing an introductory course in Latin.

It seems to be just another altruistic gesture by the business world, with Unilever's computer people helping with software to put the new course into computer-usable form.

But Unilever may be the ultimate beneficiary of this academic venture.

One of the group's experts involved believes that Latin is simpler than English. He thinks the task of putting the Latin course on computers will teach Unilever some short cuts in developing its own information storage systems.

Will the next step be the adoption of Latin as the common language for a high-tech European Community?

Press card

Nigel Lawson, Chancellor of the Exchequer, reminded government, union, and industrial representatives attending yesterday's meeting of the National Economic Development Council (Neddy to you and I) that the chief press officer Tom Rickett, is retiring, and, furthermore, that Rickett had attended every meeting of the council since it was set up in 1962.

"Yes" piped up Rickett, "and I briefed you at the press conference afterwards." Lawson was then an aspiring City journalist.

Observer

BASE LENDING RATES

Bank	Rate
ABN Bank	11 %
Allied Dunbar & Co.	11 %
Allied Irish Bank	11 %
American Express Bk.	11 %
Amro Bank	11 %
Henry Ansbacher	11 %
Associates Cap. Corp.	11 %
Banco de Bilbao	11 %
Bank Hapoalim	11 %
Bank Leumi (UK)	11 %
Bank Credit & Comm.	11 %
Bank of Cyprus	11 %
Bank of Ireland	11 %
Bank of India	11 %
Bank of Scotland	11 %
Banque Belge Ltd.	11 %
Barclays Bank	11 %
Beneficial Trust Ltd.	12½%
Brit. Bank of Mid. East	11 %
■ Brown Shipley	11 %
CL Bank Nederland	11 %
Canada Permanent	11 %
Cayzer Ltd.	11 %
Cedar Holdings	12 %
■ Charterhouse Japhet	11 %
Citibank NA	11 %
Citibank Savings	§11.95%
City Merchants Bank	11 %
Clydesdale Bank	11 %
C. E. Coates & Co. Ltd.	12 %
Comm. Bk. N. East	11 %
Consolidated Credits	11½%
Continental Trust Ltd.	11 %
Co-operative Bank	*11 %
The Cyprus Popular Bk	11 %
Duncan Lawrie	11 %
E. T. Trust	12½%
Exeter Trust Ltd.	11½%
Financial & Gen. Sec.	11 %
First Nat. Fin. Corp.	12½%
First Nat. Sec. Ltd.	12¼%
■ Robert Fleming & Co.	11 %
Robert Fraser & Ptrs.	12 %
Grindlays Bank	‡11 %
■ Guinness Mahon	11 %
■ Hambros Bank	11 %
Heritable & Gen. Trust	11 %
■ Hill Samuel	§11 %
C. Hoare & Co.	11 %
Hongkong & Shanghai	11 %
Johnson Matthey Bkrs.	11½%
Knowsley & Co. Ltd.	11½%
Lloyds Bank	11 %
Edward Manson & Co.	12 %
Meghraj & Sons Ltd.	11 %
Midland Bank	11 %
■ Morgan Grenfell	11 %
Mount Credit Corp Ltd	11 %
National Bk. of Kuwait	11 %
National Girobank	11 %
National Westminster	11 %
Northern Bank Ltd.	11 %
Norwich Gen. Trust	11 %
Peoples Trust	12 %
PK Finans. Intl. (UK)	12½%
Provincial Trust Ltd.	12½%
R. Raphael & Sons	11 %
Roxburghe Guarantee	12 %
Royal Bk of Scotland	11 %
Royal Trust Co. Canada	11 %
Standard Chartered	11 %
Trustee Savings Bank	11 %
United Bank of Kuwait	11 %
United Mizrahi Bank	11 %
Westpac Banking Corp.	11 %
Whiteway Laidlaw	11½%
Yorkshire Bank	11 %

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Letters to the Editor

Simplistic, 19th century unpopular capitalism

From the Chairman, Tullis Russell

Sir,—In case Rodney has not had the time to reply to George (Lombard, April 7) I suggest the following as a draft.

"Dear George, In your extraordinary letter under the title 'Unpopular capitalism' you attacked the idea of profit-sharing and assumed—wrongly—that I, as a Chief Executive of long standing, would agree with you.

"One of the assumptions you state to prove the intellectual coherence of your views is: 'Labour is a commodity like anything else and its price—the wage—is set in the market place.' As a Chief Executive of long standing I must take exception to that simplistic 19th-century academic nonsense! If you had ever tried to run a company, and behaved as if you believed that, you would rapidly have brought tears to the eyes of your beloved risk-takers, by going bust. You would have been Mr Scargill's dream boss, and would have united your people against you.

"It is true that labour is partly people's time, and that the time can indeed be bought in definite quantities for definite prices, which are fixed in the market, give or take the odd distortion due to union power, and unwillingness to move, etc. To this extent labour is indeed like copper.

"Labour however is also people's energy, application, devotion, effort, creativity, concern, focus, thought, commitment and ability to work together. Now this makes labour different from copper. If you could inspire copper to give you twice as much output for a given quantity, or to invent cheaper ways of melting itself, by leadership or by persuasion or perhaps by the promise of a share of the profits, then there would indeed be a case for doing it. And that is exactly what you can do with people. You can inspire them. Or rather, you could, if you stopped living in a world of pristine ideology and started getting to grips with people as they are.

"You may feel that I am over-reacting. That you don't need to inspire people. That you can hire your 'labour,' train 'it,' pay 'it' the minimum required to keep 'it,' perhaps threaten 'it' with the sack if 'it' doesn't perform, and then sit back and wait for the profits—sorry, the 'shareholders' profits'—to roll in.

"I assure you, you can't. It is not only the Japanese who manage to inspire the extra 2 per cent commitment in their people, which really counts in long term competitive success. And I believe your best 'labour' will probably leave you to join your competitors, even for lower wages, if your competitors give them a share of their profits.

"You make other points in your letter. You say that employee shareholders may be tempted to purchase too much labour or pay it too highly. My feeling is that an employee is going to be a dashed sight more reasonable in the annual negotiations if he stands to benefit from profit than if he does not. As a shareholder he can certainly vote against me—but I shall make sure he does not tell me how to run the business, any more than you, as one of my shareholders, do. Certainly it may be less comfortable to deal with employee shareholders than to deal with City shareholders—but frankly I am not so sure! Have faith in my ability to deal with the political aspects of my job, George.

"Finally you say you are worried about unemployment. My feeling is that when employees are committed to their companies, the cake gets bigger. The thing which will reduce unemployment is a booming, internationally competitive economy. For that you need to inspire your people. And profit sharing will help. It is an idea which will help us to create wealth rather than just defend privilege. And that is what we need. With best wishes. Rodney."

D. E. Erdal,
Markinch,
Glenthrothes, Fife.

Oil exploration and tax

From Lord Ezra

Sir,—I wish to support the conclusion reached by Mr Max Wilkinson in his article on world oil (April 11). The dramatic fall in the price of oil has begun to have a major adverse impact on the level of oil exploration in relatively high cost areas such as the North Sea. This is inevitable under present arrangements which link exploration with the petroleum revenue tax.

A change in the fiscal regime for stimulating exploration is now desirable. Otherwise we might find ourselves with diminished productive capacity at a time when the oil could well be needed more than it is at present.

Ezra.
House of Lords, SW1.

Inadequately prepared exam

From Mr P. Anderson

Sir,—I must take issue with the notion in your Leader April 9 that we are entering a period of relative calm in our state schools.

I am a parent of a child who is due to take the new GCSE examination in June 1988. Some of his teachers are refusing to teach the new syllabus, as they maintain the examination has been inadequately prepared, and there are insufficient funds for required new books and equipment. You may be taking this situation calmly but *I and many other* parents are certainly not!

It is deplorable that this experimental examination should be brought in without the full hearted co-operation of the teaching unions. Perhaps you do not realise that the GCE and CSE examinations will not be available as an alternative. It is inevitable that many children will be forced to take examinations for which they have not been prepared.

If the General Election happens to occur in June 1988, I cannot believe that many of the affected parents, contemplating *their children's blighted* examination prospects, will be supporting this Government.

P. E. Anderson,
22, Woodstock Road North,
St Albans, Herts.

Undisciplined accountants

From the Vice-Chairman, British Railways Board

Sir,—The letter you published on April 8, from the under-secretary, Chartered Association of Certified Accountants, highlights the confused and confusing state of the accountancy profession in the UK today.

There are six chartered bodies of accountants. Members of only three of these bodies can use the designation "chartered accountant," some of their members are entitled to practising certificates, and there is seemingly little prospect of a unified profession in the foreseeable future. Add to this confusion the profession's inability to agree on fundamental issues such as accounting for changing price levels and emerging uncertainty about the role of auditors, no wonder clients and potential *new entrants to the profession* are confused and that there is scope for unqualified accountants to increase the confusion.

It's time the profession made tangible progress on some of these issues and stopped bickering among themselves about their parentage and the small print on their membership certificates!

Derek Fowler.
PO Box 100.
Euston Square NW1.

Budget handouts or tax reform

From the Chairman, Wider Share Ownership Council.

Sir,—Your editorial (April 8) rehearses the compelling arguments, both logical and practical, for replacing the present income tax regime with the expenditure tax alternative. Surely, however, you are seriously adrift in saying that with the proposed introduction of personal equity plans, Mr Lawson took a significant, if unadmitted, step in this direction.

Such a step might indeed have been attributed to the Chancellor if he had accepted the recommendation of this council (made annually for many years past) and introduced an investment incentive scheme similar to the French Loi Monory. In a scheme of that type the tax *incentive* is directly related to the saving process in that the investor's liability to tax for the year concerned is reduced by the amount of the investment; and this also (as the council has again repeatedly pointed out) is precisely the line taken by the previous Chancellor in introducing the business expansion scheme.

Both these schemes, therefore, were steps in the direction of an expenditure tax. What the Chancellor has done, however, is to concentrate his tax reliefs on dividend income and capital gains. Although PEPs are naturally welcomed by this council as a further encouragement for wider share ownership, in the strict context of your editorial the step Mr Lawson has taken should more properly be described as retrograde.

Edgar Palamountain,
94, St Paul's Churchyard, EC4.

Efficient women and matters

From Mrs E. Parsons

Sir,—On April 3 there was an item on efficient women under the heading "Men and Matters." Do these women count as men or matters?

(Mrs) Elizabeth Parsons,
11 Northiam St, E9

A huge fall in unemployment

From Professor R. Layard

Sir,—The discussion of unemployment benefits is grossly distorted when people like Mr Bennett (March 22) imply that most of the unemployed would not consider a job at, say, £100 a week. The facts are as follows. Of unemployed men half are unmarried (Supplementary Benefit worth around £50). Only one in five have as many as two children (Supplementary Benefit worth around £90). So it is *not surprising* that the average unemployed person is 40 per cent poorer than when he was in work (estimates of the Institute for Fiscal Studies). If we guaranteed a one-year job at around £100 a week to the adult long-term unemployed, I have no doubt that the majority would take it.

This would lead to a huge fall in unemployment at a manageable cost to the Exchequer (say 750,000 jobs at a cost of £3bn). It would not cause extra inflation. If the Government is serious about unemployment, the job guarantee should be its first priority.

(Prof) Richard Layard.
Centre for Labour Economics,
London School of Economics,
Houghton Street, WC2.

Nuclear power economics

From Dr L. Brookes

Sir, — Debates about energy would be less stimulating if Professor Peter Odell (March 25 and April 9) were not so often wrong. Unfortunately much of the stimulation arises from exaggeration. Is he really saying that for the next several decades the CEGB will be able to buy coal and heavy fuel oil in 100 million ton pa quantities at prices only one third of those ruling in 1981? One factor he may have overlooked is that internationally traded fuels are usually quoted in dollars: the pound stood at $2.44 in 1981 as against about $1.45 today.

The fall in oil prices was due to the collapse of the OPEC cartel which was itself due to the impact on OPEC's highly geared position of a world recession (at least partly due to the energy price increases themselves) and the substitution of other sources of energy for OPEC oil. One important alternative source has been non-OPEC oil, some of which may not be economically viable at prices below $10 per barrel. For Europe another important substitute has been nuclear energy—which accounted for only 3 per cent of Europe's electricity in 1973 but over 25 per cent today. *If the much reduced oil prices lead to a world economic upturn,* OPEC's position will be as highly geared on the way up as it was on the way down and it seems unlikely that we shall be any less glad to be able to turn to nuclear fuels in that event than we were on the previous rounds.

Nuclear energy was an economic proposition before the energy price hikes of the 1970s because, although the alternative fossil fuels were cheap, capital plant costs were much lower in real terms. Some writers from the nuclear industry predicted that high fossil fuel prices would be bad for nuclear power because they would push up capital costs and lead to an economic downturn and a slump in orders for power plants, and this is indeed what happened. If we are now to see a return to lower energy prices we should also see the fall in capital costs which tends to favour capital-intensive systems like nuclear power, and rates of economic growth to produce the economies of replication that have eluded nuclear power constructors in all but a few countries, and the conversion of the economic case for new nuclear plants into one for new firm power instead of system cost savings alone.

Swings and roundabouts effects like these make it unwise for commentators to leap in and say that a change in a single economic variable will overnight render some enterprise "hopelessly uneconomic." The world is not as simple as that.

(Dr) L. G. Brookes,
16, Ipswich Road,
Bournemouth, Hants.

Hypermarkets and the battle for Wimbledon

From the Chairman, Development Committee, London Borough of Merton

Sir,—Mr N. Rennie (April 9) commented that your article on Wimbledon town centre was timely. In that I can only agree. It is unfortunate, therefore, that he should carry on to exaggerate and *misrepresent* the position.

Skeyhawk's proposals for the Queen's Road site cannot reasonably be described as "*Croydon-style.*" Croydon is characterised by a large number of office blocks from about eight to over 20 storeys high, and a 1960s-style open-air shopping development. In contrast, the Skeyhawk proposal is for a modern covered, but naturally lit shopping centre, with only a small office content not above second floor level.

The Skeyhawk applications are fully in accord with the draft local plan which received overwhelming approval in a *survey conducted for the* council by Communications Research last summer. The Greycoat proposals for Queen's Road, however, frustrate these policies. It is clearly not the Conservative administration which is acting "despite the strong views of residents." It is, indeed, policy that Wimbledon should have a high quality distinguished shopping centre.

(Councillor)
A. J. M. Chamberlain
Via Crown House,
London Road,
Morden, Surrey.

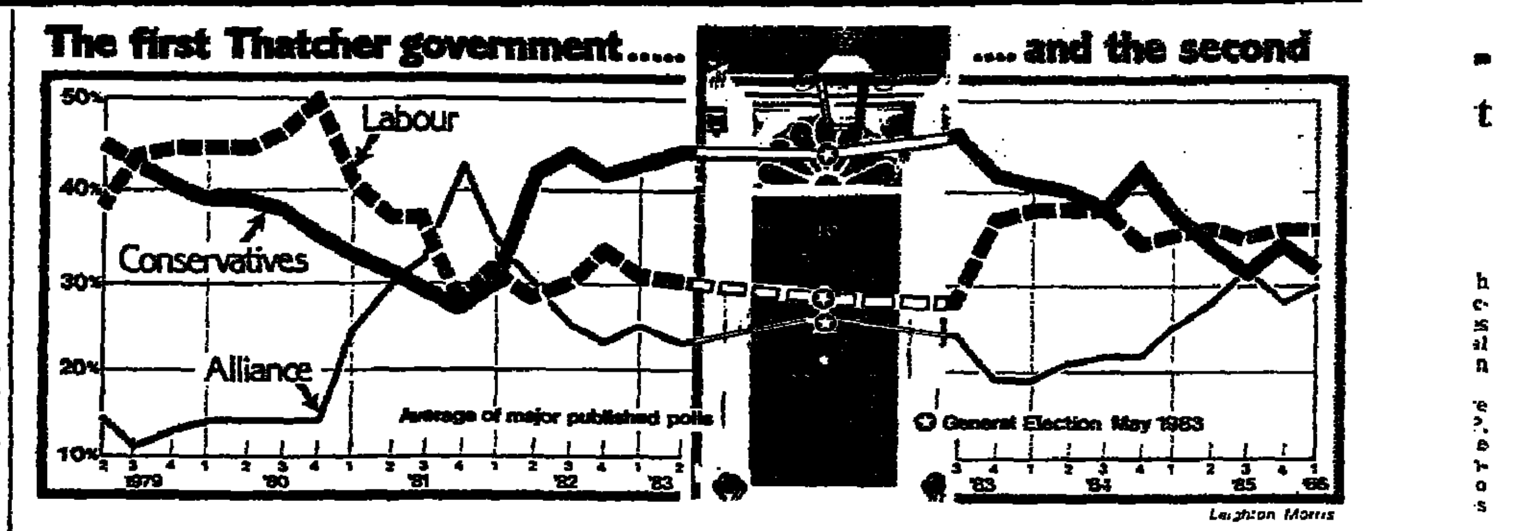
From Mr P. Jackson,

Sir,—The controversy over the development of Wimbledon High Street is only the tip of the *iceberg. The Borough of* Merton has a policy of encouraging the building of hypermarkets around its borders, regardless of the impact on its *neighbouring boroughs.* It admits that these developments will poach trade from the established suburban High Streets with possible devastating results. It knows that its policy is opposed by the councils concerned, many of them fellow Conservatives. The Department of Environment has proved *unwilling to call in these planning applications.* The GLC contested them unsuccessfully, mainly because their proposals to define the circumstances under which hypermarkets could be built were dismissed by central government — leaving a planning vacuum that is currently being exploited by the developers.

There are now proposals to site several hypermarkets along the A3, with some in the Green Belt. At the same time, boroughs like Merton and Kingston are attempting to Croydonise their town centres. Each development seems to be considered separately, whereas commonsense suggests that their combined impact needs investigation. From how far afield are people expected to travel to them, for example, and is the present road system adequate?

There are circumstances when hypermarkets may be justified. What's proposed in south west Greater London is not — the character of local shopping centres is about to be ruthlessly and abruptly changed, with residents having *little say in the matter,* and with every probability that the change will be for the worse. Since we are now denied the right to elect the equivalent of a regional or county council, we are forced to depend on Whitehall to mediate. They should lay down guidelines covering the development of hypermarkets. *Will this need be met,* or will it be another case of "Come back GLC, all is forgiven?"

Paul Jackson,
8 Branksome Way,
New Malden, Surrey.



Leighton Morris

Mid-term messages

By Peter Riddell, Political Editor

AS Mr Nick Raynsford took his seat on the opposition benches in the Commons yesterday *afternoon, one crucial question* might have worried Labour strategists. Will his Fulham by-election victory *last* Thursday at last give Labour the impetus to move clearly ahead of the other parties in the opinion polls?

Since the 1983 general election, the story of the polls has been primarily one of Labour *frustration, after an initial* recovery, and then of shifts mainly between the Tories and the SDP/Liberal Alliance. Labour has been stuck in an unusually narrow range of 35 to 37 per cent.

The graphs are based on *averages of all the main* published polls on a quarterly basis in the last and current parliaments. The sample is over 15,000 rather than the 1,000 or so of each individual survey. This irons out variations between sampling methods and freak results.

The main contrast is in the degree of volatility. In the *1979-83* parliament confidence in both the Tories and Labour was badly shaken and the Alliance burst on the scene. This resulted in large movements between the parties.

However, in the current parliament, party support has shown less variation as three-party politics has become established. Initially, though, in the autumn of 1983, after the election of Mr Neil Kinnock as party leader, there was a sharp rise in Labour support to over 35 per cent from the historically low level of 28 per cent in the 1983 election. This was at the expense of the Alliance as Tory support remained high.

Then, from late 1984 onwards, Conservative support began to slip back, almost entirely helping the Alliance. The result has been a rough three-way split, with Labour having the biggest share, then the Tories and the Alliance.

The stability in Labour's *share* is curious given the Government's unpopularity. Indeed, twice in the last year *it has looked as if Labour* *might move* ahead. The first time was after the miners' strike in March and the second was *after Mr Kinnock's strong* attack on the Liverpool Militants at the Labour Party conference in early October. On both occasions Labour support picked up for a few weeks before slipping back to the familiar range.

Labour has *not succeeded in* persuading wavering voters to forget the divisions of the 1979-83 period and to accept the party as a credible alternative government. Mr Kinnock has taken the party's bedrock support up to the mid-30 per cent range, but so far no more. However, a Harris Research Centre survey for ITN, carried out as voters left polling stations in Fulham, showed that Labour succeeded in doing better than its national poll rating in the by-election. It performed exceptionally well among core groups such as council tenants and trade union members, and also won back support among the skilled working class and the young.

Yet, being stuck in the 35 to 37 per cent range nationally and winning inner city seats like Fulham is not good enough. Under a three-party system, both Labour and the Tories need to win roughly 38 per cent of the total vote to gain an overall Commons majority.

Moreover, government fortunes are usually at their lowest and those of the main opposition parties at their peak during a mid-term period, before ratings narrow as an election *approaches. Professor Anthony King of Essex University* has shown, on the basis of Gallup data, that all seven governments since the mid-1950s have suffered a mid-term slump in their popularity. This has varied between a loss of 16.5 percentage points for the 1966 Wilson administration and 2.7 points for the Callaghan government.

The drop in Conservative support since the 1983 election has not been out of line with past experience. The key difference compared with 1979 and before is that support for the *opposition parties is split* and Labour's share is less than that of other oppositions in mid-term. In particular, the *Alliance* seemed, before Fulham at any rate, to have been building a solid core of at least 25 to 28 per cent.

Some Labour strategists believe that its rating needs to be well above 40 per cent now if the party is to have the necessary cushion of support in the pre-election period. On this view, Tory support could recover thanks to a continued rise *in living standards, tax cuts,* the possibility of a flattening out of unemployment and the avoidance of controversial legislation after the current session.

A governing party can undoubtedly recover from a rating like the Tories' current one to *win a general election. The* precedents are the 1959 and 1983 elections. Even a recovery of 5.4 and 11.6 percentage points, as seen before the 1964 and 1970 elections (eventually lost by the governing parties), would at least ensure that the Tories *remained* the largest single party in a hung parliament, if not outright victor.

The opposition parties can, however, comfort themselves with the Market and Opinion Research International figures showing greatly increased dissatisfaction with Mrs Thatcher's *performance as Prime Minister.* There is also more concern about issues such as education and health on which Labour traditionally scores better than the Tories.

Nothing is predictable in three-party politics. But the *evidence of past parliaments* is that Labour needs to have a higher opinion poll rating than its current standing to have a realistic chance of office.

Hence, *many* Labour leaders believe that the party can realistically hope to increase its *number of MPs only from 210* (post-Fulham) to between 270 and 280 out of 650, though this is better than the semi-annihilation many feared in 1983. With a few more seats Labour could become the largest single party in a hung *parliament. But this* also depends on the Alliance more than doubling its current total of 25 MPs.

By-election successes like *Labour's at Fulham are a* poor guide to the outcome of subsequent general elections—even more so now with a more complicated electoral pattern than just Labour versus Tory. But such victories do have a psychological impact.

That is why attention has now turned to the local elections in London and the big cities on May 8 (where Labour should do well in seats last fought during the Falklands war in 1982) and to the Rydal and West Derbyshire by-elections (where the Alliance has to do well to retain credibility).

All but a *handful of opinion* polls over the past year have implied a hung parliament with Labour *as the largest single* party. But, given past mid-terms and the uncertainties of three-party politics, a continued Conservative majority is equally plausible.

FINANCIAL TIMES

Tuesday April 15 1986

Chris Sherwell looks at Singapore's efforts to reverse its trade slide

Island state scans market horizons

AMONG the regular statistics which have documented Singapore's startling economic contraction over the past year, one – the island state's trade with the outside world – shows how its famous entrepôt role, like so much else, has run into trouble.

In 1985, for the first time in 10 years, the value of Singapore's total trade showed a fall, from S$112m ($51.3m) in 1984 to S$108m. More to the point, monthly figures over the past 12 months reveal a relentless slide, and one that seems to be continuing.

In the first two months of 1986, exports fell by 21.1 per cent and 5 per cent on January and February of 1985. Imports were off by 19.5 per cent and 11.8 per cent. Since the middle of last year only one monthly figure – for December's imports – has shown any rise.

Inevitably there are complications in interpreting the statistics. Growth in world trade as a whole slowed markedly in 1985 after an exceptional 1984. It was led by a loss in pace of US imports, and this hurt all the newly industrialising countries of East Asia.

Singapore's problems, moreover, were compounded by a weakening of neighbouring economies and by depressed demand both for commodities and equipment traded through Singapore.

But with the regional outlook still gloomy and every prospect of an unprecedented second successive year of negative economic growth in Singapore, no one is expecting the underlying trend to alter.

As a result Singapore is now looking hard for new markets, for new products to sell, and for a new dimension to its entrepôt role.

This role has already changed much since Singapore first capitalised on its strategic location and the freeport status which Stamford Raffles established after founding the state in 1819. Its entrepôt trade is no longer confined simply to commodities like rubber, timber, palm oil and spices, imported from the region and exported elsewhere. It also involves the import of industrial and consumer goods from rich countries and their re-export to its neighbours.

Yet, however efficiently this is done, Singapore's neighbours have long sought to take over this trade themselves, leaving the island state to carve out fresh niches for itself. The one most talked about in Singapore these days is "information" – taking advantage of advances in telecommunication technology to become a centre for collecting, processing and supplying information.

Singapore's ambitions go beyond this. It wants to be a "brain services" centre, offering marketable expertise in engineering and construction, in design and maintenance, in architecture and accounting, and in legal and medical services. It wants to build on its existing financial services, covering banking, insurance and futures, to expand its oil trading role and to become a counter-trade centre.

Little of this can be done quickly, so in the meantime Singapore hopes its counter-recessionary measures will help maintain the island's vital role. Its port, one of the busiest in the world and Asia's largest trans-shipment centre, certainly wants to stay that way, and last month the Port of Singapore Authority announced yet more cuts in charges, adding another S$45m to the S$50m in revenue foregone through reductions in 1985.

The search for new markets, and for new products to sell, is spearheaded by the Government's Trade Development Board (TDB), now in its fourth year and charged with promoting the country's trade. Scarcely a fortnight goes by these days without some fresh announcement of moves to develop trade further.

Only last week heavy publicity was being given to its efforts to set up international purchasing offices in Singapore. US manufacturers such as IBM, AT & T and and Kodak have already done so, as have Northern Telecom, Philips and Sony. The TDB is trying to persuade more Japanese companies, such as NEC, Hitachi, Canon and Fujitsu to follow suit.

Last week, too, a TDB-led delegation of officials from government and private sector companies visited Burma, while a similar team travelled to Manchester in the UK at the end of last month on the first Singapore Airlines flight on this new route.

The main overall effort, however, is being concentrated on China and India, both huge potential markets. Missions were sent to each last year, and Singapore needs only a morsel of the business to benefit greatly.

The search is also being spread wider. This year missions will go to North and West Africa in June, and to Eastern Europe in September. Canada is another target, and altogether 25 missions are planned for the fiscal year which has just begun.

That compares with 19 in 1985-86 and only six the previous year. Singapore will also participate in 46 international fairs, while the TDB, having opened three new offices last year, will set up three more this year, in France, the US and in China.

Among the new products Singapore would like to sell in existing markets, the TDB lists jewellery in Japan, electronics in Australia and industrial machinery in the Middle East. To all rich countries it would like to export high quality products like fashion wear, speciality food, quality furniture and industrial electronics goods.

Helping in the promotion is no less a person than Mr Lee Kuan Yew, the Prime Minister. Over the past nine months he has visited China, the US, Indonesia, Burma, Thailand, New Zealand, Fiji and Australia. No opportunity has been missed by Mr Lee or his ministers to promote Singapore as a place to invest or trade with, and to explain how it is combating the recession.

Singing the virtues of its own free trade practices, Singapore also loses no chance to point out its worries over protectionist trends abroad. It makes no secret of its belief, for example, that Japan should open up its markets, and last year even presented an envoy of Prime Minister Yasuhiro Nakasone with a list of 33 products it would like to see Japan include in its liberalising measures.

Similarly Mr Lee, in a press interview earlier this month, urged the US not to neglect the interests of all the non-Communist nations of South-East Asia over trade in tin, rubber and textiles, and especially over the Generalised System of Preferences, under which developing country exports are given tariff privileges.

This is particularly important for Singapore. One of its great fears for the future is its inevitable "graduation" to developed country status, which would halt these privileges. Last year it became embroiled in a dispute with New Zealand when Wellington, as part of its own trade liberalisation, decided to end privileges for countries with per capita GNPs higher than 70 per cent of New Zealand's.

Singapore saw this as the thin end of the wedge and with the help of its Association of South-East Asia Nations (Asean) partners persuaded New Zealand to back down. Singapore feels GNP is a misleading measure of relative wealth because of the large foreign component in its economy. More generally, it feels products, and not countries, should be "graduated."

For all this, it cannot be long before Singapore is treated as a developed country, especially as its current economic setbacks cannot be expected to last indefinitely. Times will undoubtedly be tough for the next two years at least. But the country has everything to play for – and few people feel that its well-established trading role can ever actually be lost.

THE LEX COLUMN

Saatchi, Saatchi & Spendit

The £406m that Saatchi is raising is not the largest rights issue in the history of the London market, though it comes pretty close behind Hanson Trust's memorably indigestible offering last year. Even if Saatchi has signalled the beginning of a heavy rights issue season, that need not of itself send the market into a prolonged reverse. Rights issues may have been in short supply lately, but takeover activity has kept underwriting capacity at a fairly full stretch. And the escalator has continued going up throughout.

If it is a fraction short in sheer size, the Saatchi issue is an undisputed winner for corporate cheek. A seven-for-eight increase in the issued ordinary capital, aimed almost entirely at acquisitions yet to come, is about as heavy as the market can be expected to bear and may sit rather heavily on the share price over the coming months. But a near doubling of Saatchi's market capitalisation is as nothing to the effect on a balance sheet that had remarkably little in the way of equity: the issue increases Saatchi's tangible asset base by about 550 per cent. Assuming that Saatchi spends the money at a fair speed, the resulting amortisation of goodwill is nevertheless bound to start making inroads on its spanking new share premium account.

More cash and a bigger equity base jointly provide a licence to spend money with considerable abandon. If Saatchi were unexpectedly stuck with the entire proceeds for a full four months, £12m of interest income would still improve earnings per share. But the earnings forecast of 20 per cent growth does no more than add the notional interest to the £55m that the market was looking for. It is the reaction to Saatchi's shopping that will decide where the shares go from here.

Elders/BHP

The cross-holding cemented yesterday between BHP and Elders IXL was all too reminiscent of the equity links established by Hongkong Land and Jardine Matheson in 1981.

The purpose of both transactions was plainly defensive – Mr Robert Holmes à Court is a worthy successor to Li Kashing – and scarcely looked to be in the best interests of shareholders in either company. The Land-Matheson tie-up brought nothing but misery to all concerned and it is hard to see much commercial logic in yesterday's deal.

In both cases a small and overheated stock market dominated by a handful of entrepreneurs with long credit lines created the conditions for corporate incest.

In contrast to the Hong Kong arrangement, which was an effective lock-out, the BHP/Elders link looks highly unstable. The Melbourne Stock Exchange and the National Companies and Securities Commission are both asking awkward questions about the recent stock market activity and, even if the two companies clear the regulatory hurdles, they will still have Mr Holmes à Court to reckon with.

Yesterday he took advantage of the stock market conditions he had helped to create by launching a four for five rights issue through Bell Resources which will leave his company no more than 200 per cent geared. In the current Australian climate that scarcely counts as gearing at all. But, while Bell may press ahead with its bid for BHP, its task has been made immeasurably more complex by the weekend's events.

The BHP holdings in Elders can be converted into 20 per cent of issued equity almost immediately. Taken together with the other firm Elders holdings they effectively prevent Bell from securing control of BHP through Elders. If Bell is to succeed through a direct assault it will now need to secure another 30 per cent or so of BHP equity. And, even after the rights issue, that looks a tall order.

The possible permutations are almost endless. An alliance between Bell and Elders looks the least likely, while the only arrangement with much to recommend it is an offer by BHP for both Elders and Bell Resources. This would enable BHP to cancel around 40 per cent of its equity, boosting both assets and earnings per share.

It would leave Mr Holmes à Court with a profit which could be as high as A$300m and presumably put Mr Elliott of Elders in the driving seat at BHP. From that vantage point he could bid for Allied-Lyons without needing to make friends of either the Monopolies Commission or his bankers.

Evered/McKechnie

The charms of the UK engineering sector had been well hidden until a few would-be conglomerates began to scrape away the muck to reveal the brass underneath.

One such is Evered, whose £161m offer for McKechnie Brothers yesterday follows last week's £175m bid from another, F.H. Tomkins, for Pegler-Hattersley. The former deal owes much to the earlier efforts of a third, Williams, which offered £140m for McKechnie in February.

Hardly a company in the sector can feel safe from the attentions of a determined expand-by-acquisition group, especially as many stand on p/e ratios in the low teens making them targets for higher-rated companies which can perform the trick of pushing their own earnings per share ahead after winning all-paper bids.

McKechnie is unfortunately placed having only just escaped from Williams by a narrow vote of shareholders who may be swayed by the new, higher offer even if it is not backed by a cash alternative. Its profit record is steady rather than scintillating and it has already forecast pre-tax profits for the year to end-July of £18m.

Evered's offer puts a multiple of 14½ times on forecast earnings, while its own shares stand on a historic p/e ratio of 13.5.

That exit rating may look cheap compared to the fancy prices being paid elsewhere in the market, but engineering has been viewed as a low margin activity.

Evered's argument is that a much higher return on sales, of say 10 per cent, can be achieved, though so far it has not managed to reach that target throughout its own group. While McKechnie had been making some of the right moves towards cutting out the less profitable parts, it still had large chunks of turnover producing not very high margins.

If McKechnie shareholders believe the Evered promise of faster action, other engineers should expect bids.

Seki City sits on cutting edge of yen's sharp increase

BY CARLA RAPOPORT IN TOKYO

MR AKIRA HASEGAWA gripped a piece of fried seaweed with his chopsticks, dipped it in soy sauce, and said: "My city lives on exports. Now we must change. We must find new products to sell to Japanese customers."

Mr Hasegawa, 60, lives in Seki City, a picturesque town in central Japan where local residents have been making swords and knives for over 750 years. Seki ranks with Sheffield of the UK and Solingen of West Germany as one of the world's leading centres of knives, shears and cutlery production.

Since last September, when the yen began its steep appreciation against foreign currencies, life in Seki started to change.

Today, cases of goods intended for exports are gathering dust, large machines are quiet half the week and many workers are told to stay at home. Exports of close to Y30bn ($167.4m) in 1984 dropped to around Y27bn last year and are projected to go below Y21bn this year.

For a town of 64,000 people, where 8,000 work in the cutlery business, the yen's appreciation amounts to the most serious problem it had faced since the Second World War.

"Usually, we work eight hours a day. Now it's five hours. The rest of the time we work on new products," says Mr Mitsuzo Sumikama, president of Sumikama Cutlery. His export business has dropped by 60 per cent in recent months, he says. Upstairs in his empty showroom it was not hard to see why Sumikama may have to change its product line.

There, displayed in bright English signs, were cheap cocktail fork sets, egg slicers, pizza cutters and fondue sets. Mr Hasegawa, director of Japan Export Cutlery Industrial Association, waves his hand over rows of these products: "In the future Korea and Taiwan will make these things."

And what will Seki make? "Cutlery for export is the cheapest kind," says Mr Sumikama. "Japanese knives have to be of the finest quality. Americans use knives to cut vegetables, we use them to slice meats and fish very finely and to mince our vegetables."

Therefore, he will borrow Y1.5bn to invest in equipment which will allow him to make higher quality goods for finicky Japanese customers.

This loan will be borrowed at a special reduced rate because of a Y300bn emergency loan programme for exporters, recently approved by the Japanese Government. Like most industries grown out of a craft tradition, Seki's factories can use the help.

Seki is proof that large areas of Japanese industry live in a different era from the high-tech, robotised factories of a Nissan or Toshiba. In Sumikama's factory, for example, a worker manually places bits of metal in a 200-tonne, 20-year-old scissors press. Walking about the city, one hears solitary workers bashing on metal behind garage doors on almost every street.

Indeed, the town has 1,000 "household" companies in addition to its 200 factories. These employ a handful of workers, usually including a mother, father and grandfather making components for Seki's cutlery exports.

Japan's Ministry for International Trade and Industry would like to see many of these family businesses gradually faded out or rationalised into medium-sized companies. Few in Seki willingly share such goals.

Take the 73-year-old owner of a household company which makes wooden cases for knife and scissor sets. In spite of the brand-new Toyota outside his house, he was dressed like an elderly ragamuffin and his office looked and felt like the inside of an ashtray. But his views were emphatic.

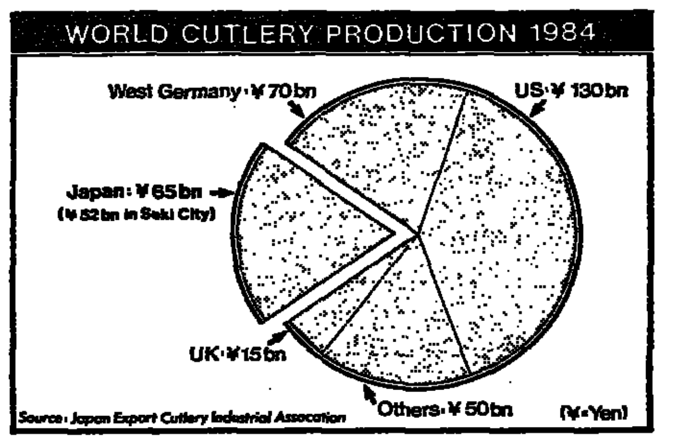
"This import/export imbalance is caused by large enterprises, cars, electronics, machinery, not by our knife blocks. We are very small, it is not reasonable that the higher yen only hurts us. It is impossible to ask my son to join this business. This business must continue by someone, but who?"

He plans to switch to domestic sales and has asked his staff to accept a 20 per cent pay cut. These workers now earn between Y100,000 to Y200,000 a month. But as their average age is 63, many receive some social security benefits, and so won't be too badly off, he says.

This company-owner's son is a lawyer trained at Tokyo University and lives in Tokyo.

Would his son want to join the business even if it was thriving? Avoiding the question, the businessman pulls out a lightweight, inexpensive knife block he has designed to recapture the export market.

"We don't think the yen will stay at Y180 to the dollar forever," he says.



Source: Japan Export Cutlery Industrial Association

British industry's input costs plummet

By Philip Stephens in London

BRITISH industry's fuel and materials costs fell by 10.9 per cent in the year to March, the sharpest drop since the 1950s, as manufacturers continued to benefit from the collapse in oil prices and weak international commodity prices.

The fall has reinforced confidence that retail price inflation will soon drop to below 4 per cent and that the Government's target of 3.5 per cent for the last quarter of the year is well within reach.

The Department of Trade and Industry said that its unadjusted index of input costs fell by 3.1 per cent during the month, due largely to lower fuel costs, smaller electricity bills and the strength of the pound against the dollar.

Manufacturers' output prices, which reflect labour costs, profit margins and other overheads as well as materials costs, rose by 0.6 per cent in March, but the annual increase fell back to 5 per cent from 5.1 per cent in February.

The pace of increase in factory gate prices mainly reflects the continued bouyant growth of average earnings. The current rate is none the less, the slowest since the beginning of the 1970s.

The expectation in financial markets is that falling home loan costs and lower petrol prices will soon feed through into lower retail price inflation. London broker Laing and Cruickshank, for example, is forecasting that Friday's figures for the March retail price index will show a drop from February's 5.1 per cent to 4.4 per cent, and that the rate for April could be as low as 3.5 per cent.

Civil service officials said that of the 10.9 per cent fall in input costs over the last year, about a third could be attributed to lower oil prices and there are likely to be further reductions in the pipeline.

The Department of Trade and Industry also publishes a seasonally adjusted index of materials and fuel costs, which showed a fall of 1.5 per cent in March and the same 10.9 per cent drop over the year.

Of the 0.6 per cent increase in output costs over the month, about a third resulted from the increase in tobacco duties announced in the budget last month.

The improved inflation outlook and prospects for falling interest rates worldwide has strengthened expectations of further reductions in Britain's borrowing costs later this year.

The Government has warned, however, that a major reduction in rates will depend on a significantly lower level of pay awards in the next wage round, a view reinforced last week in the Bank of England's Quarterly Bulletin.

The present pace of earnings and productivity growth suggests that Britain still has a "core" inflation rate of close to 5 per cent, well above that of its international competitors.

US–Japan trade initiative

Continued from Page 1

still refusing to give details of which new sectors will be added to this list.

White House officials have been going out of their way to emphasise the areas of agreement that exist between the US and Japan, and, so far as possible, to minimise the continuing frictions over the US's $50bn bilateral trade deficit with Japan.

In part, this reflects a desire to create a positive atmosphere ahead of the forthcoming economic summit in Tokyo.

Another reason for the US desire to play down any differences and work towards a successful summit is their desire not to create any obstacles to Mr Nakasone's chances of securing a third term

Separately, at a press briefing Mr Nakasone said that he expected the US trade balance with Japan to show "tangible" improvements within about six months as a result of yen/dollar exchange rate adjustments, Japanese efforts to stimulate domestic demand and other factors.

EEC plans curbs on Libya

Continued from Page 1

pressure on Libya, and avoid the need for any military action.

The joint position represents a considerable hardening in the attitude of the member-states, and particularly of the Greek Government, which only in January had blocked any mention of Libya in a condemnation of terrorism.

Mr Leo Tindemans, the Belgian Foreign Minister, said the meeting was persuaded on the basis of "convincing evidence" of Libyan involvement in recent terrorist incidents which was presented by Mr Hans van den Broek, his Dutch counterpart and the current Council chairman.

Sir Geoffrey said the major concern of the meeting had been to decide on the appropriate European action to be taken, rather than on how to restrain the US from unilateral action.

"We share American outrage at the outbreak of terrorism," he said, referring to the recent bombings of a TWA airliner over the Mediterranean and a night club frequented by US servicemen in West Berlin. He none the less stressed to the meeting that some 200 German civilians had been injured, and a Turkish woman killed in Berlin in addition to the death of a US serviceman and wounding of some 15 others.

A working group of national officials, meeting in The Hague today, is being asked to identify further appropriate security measures and the application of diplomatic immunity and consular privileges, and report back to next week's meeting of foreign ministers.

Tony Walker adds from Tripoli: Libya has renewed its threats to carry out suicide missions against Americans if the US bombs selected Libyan targets.

Revolutionary committees, the backbone of Col Gadaffi's rule, passed resolutions on Sunday night in Tripoli and Benghazi saying that Libya was prepared to "strike against America on its own ground."

Zahf Al Akhdar, the revolutionary committees' publication, said: "Groups of suicide squads are now ready awaiting only a signal to begin executing courageous operations to pursue Americans one by one and strike them the mightiest blows."

These threats are similar to those issued several weeks ago by Libya when the US hit at radar and missile installations on the disputed Gulf of Sirte.

Lengthy resolutions passed on Sunday also said that revolutionary guards were ready to replace workers in oil installations and factories to protect facilities against American aggression.

There was little overt sign of tension in Tripoli yesterday, although Western officials said the atmosphere was more edgy than during previous crises, such as last month's US–Libyan clashes in the Gulf of Sirte.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	F	10	50	Malta	F	17	63	Rhodes	F	18	64
Algiers	F	19	66	Edinburgh	C	7	45	Manchester	C	7	45	Rio de J'o	S	37	99
Amsterdam	R	6	43	Faro	F	16	61	Manila	S	35	95	Rome	S	14	57
Athens	S	18	64	Florence	S	13	55	Melbourne	S	20	68	Salzburg	F	9	48
Bahrain	S	27	81	Frankfurt	R	6	43	Mexico City	S	28	82	San Francisco	R	20	68
Bangkok	C	34	93	Funchal	F	18	64	Miami	C	30	86	Seoul	S	18	64
Barcelona	F	14	57	Geneva	C	12	54	Milan	S	11	52	Singapore	T	24	75
Beirut	—	—	—	Gibraltar	F	15	59	Montreal	C	9	48	Stockholm	C	1	34
Belfast	R	7	45	Glasgow	R	5	41	Moscow	C	2	36	Strasbourg	C	10	50
Belgrade	C	3	37	Guernsey	F	9	48	Munich	S	7	45	Sydney	F	21	70
Berlin	S	7	45	Helsinki	C	2	36	Nairobi	C	22	72	Taipei	S	30	86
Biarritz	S	13	55	H. Kong	S	24	75	Naples	S	14	57	Tangier	F	17	63
Bombay	F	32	90	Innsbruck	S	7	45	Nassau	S	27	81	Tel Aviv	F	26	79
Bordeaux	F	13	55	Inverness	R	5	41	New Delhi	S	34	93	Tenerife	D	20	68
Brussels	R	7	45	Islamabad	S	31	88	New York	R	15	59	Tokyo	S	16	61
Budapest	C	4	39	Istanbul	R	9	48	Nice	S	14	57	Toronto	C	13	55
B. Aires	C	16	61	Jakarta	C	31	88	Nicosia	R	27	81	Tunis	S	17	63
Cairo	C	33	91	Jersey	F	10	50	Oporto	S	12	54	Valencia	—	—	—
Cape Town	S	21	70	Jo'burg	F	22	72	Oslo	S	3	37	Venice	F	9	48
Caracas	C	30	86	Lima	S	24	75	Paris	R	7	45	Vienna	S	6	43
Casablanca	C	17	63	Lisbon	F	13	55	Peking	S	25	77	Warsaw	F	5	41
Chicago	C	14	57	London	R	9	48	Prague	F	5	41	Washington	—	—	—
Cologne	C	7	45	Los Angeles	C	24	75	Reykjavik	S	-4	25	Zurich	S	9	48
Copenhagen	C	3	37	Luxembourg	R	5	41								
Corfu	F	14	57	Madrid	S	11	52								
Dallas	—	—	—	Majorca	F	15	59								
Dublin	R	6	43	Malaga	F	15	59								

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday April 15 1986

Elf curtails spending in wake of oil price fall

BY PAUL BETTS IN PARIS

ELF AQUITAINE, the state-controlled oil group and France's largest enterprise, expects to lose FFr 6bn ($833m) in cash flow this year because of the collapse of oil prices. This has forced it to make substantial cuts in its exploration and general investment budget to cover the cash flow decline.

Mr Philippe Hustache, Elf's financial director, said the French oil group had estimated in its initial budget cash flow this year to total about FFr 25bn. This was based on a Brent oil price of US$24.50 a barrel and a US dollar at FFr 8.25.

But the revised Elf estimates use as a base a Brent oil price of $15 a barrel and a rate of FFr 7.50. According to the group's best estimates, this will lead to a loss of FFr 6bn in cash flow this year bringing the total cash flow figure down to FFr 19bn for 1986.

To compensate for this decline, Elf is planning to reduce its exploration budget by FFr 2bn this year to FFr 4bn from an original target of FFr 6bn. The year before Elf spent FFr 6.6bn on exploration.

Mr Hustache also said the group was planning a further FFr 2bn-2.5bn in savings by postponing a number of investments in other sectors outside exploration. This will reduce total investments this year by between FFr 4bn-4.5bn from the original target of FFr 23.5bn for 1986.

The cuts will bring investment spending in line with the latest cash flow expectations of FFr 19bn for 1986, enabling the company to pursue its policy of financing its investments out of cash flow.

Spending cuts mainly affected Elf's oil sector and not chemical and health care operations, Mr Hustache said. Elf was not halting any of its big oil projects including those in the North Sea, Angola and Congo.

The group would review the overall situation this summer to draw up its investment strategy for the next two years.

The Elf finance director said the group, like other international oil companies, was also anxious to moderate the growth of general costs by a rate of about 10 per cent.

Upstream oil operations have been mainly responsible for the decline in cash flow. Elf, however, was now earning money on its previously loss-making refining operations.

Although the group had a downstream loss of FFr 600m last year, these operations were balanced in the last quarter of 1985 and have continued to earn money this year.

Chemical operations were continuing to break even this year as they had done at the end of last year. Although feedstock prices were lower, the prices of Elf's principal chemical products had also declined. Moreover, the decline of the dollar against the French franc had also hit the competitiveness of Elf's chemical products in Far East and Latin American markets and benefited US producers in these areas.

Banks upset over Screg

By David Marsh in Paris

TOP FRENCH banks have been upset by the failure of leading foreign banks based in Paris, including Citibank of the US and Barclays of Britain, to take part in a loan restructuring operation for Screg, the troubled building group which has just passed to the control of Bouygues, the country's biggest construction company.

This has revived bitterness among French banks, most of which are owned by the state, that foreign banks in Paris have received more generous treatment in a series of corporate rescue packages mounted for troubled companies in France in the past few years.

Bouygues last week raised to 30 per cent its stake in Screg, which lost FFr 1.75bn ($243m) last year. At the same time Bouygues finalised a debt restructuring package with Screg's leading banks, under which the banks agreed to forego about FFr 850m through a mixture of loan write-offs and payments to Bouygues to assure eventual repayment of guarantees covering Screg contracts.

Banque Nationale de Paris – making clear that the view was shared by Crédit Lyonnais, Banque Indosuez and Société Générale, the other banks exposed to Screg – said the affair had been "extremely disagreeable."

Mr Michael Freyche, chairman of the Banque Française du Commerce Extérieur, the French foreign trade financing bank lending to Screg, said he was "shocked" by the attitude of the foreign banks among lenders to Screg.

Mr Freyche said: "We could not understand that they did not show solidarity" with indigenous French banks. This attitude could harm future relations of foreign banks with French companies.

Foreign banks have substantial exposure to Screg, above all in the form of completion guarantees advanced to cover construction projects abroad, including the US. Bouygues said that during the month to April 9 it had managed to complete restructuring accords with most French banks as well as bilateral accords with foreign banks.

Among the foreign banks with exposure to Screg and which did not join in the general accord, apart from Citibank and Barclays, were Continental Illinois, Manufacturers Hanover, European American Bank, American Express and the Arab consortium banks BAII and UBAF.

Mr Henri Jacquand, director general of Citibank's Paris branch, called "unfair" the idea that Citibank had "pulled out" of a global accord reached with French banks. "This does not correspond to reality," he said.

He added that Citibank had "substantial exposure" to the Screg subsidiary Dragages et Travaux Publiques in "good projects" which he hoped would be completed as planned.

Citibank had not participated in any accord reached by other bankers to Screg. But refusing to sign "a bit of paper on the table" did not imply that Citibank was "the bad guy," he said.

Deutsche Bank boosts profits

BY JONATHAN CARR IN FRANKFURT

DEUTSCHE BANK, West Germany's biggest bank, has sharply increased earnings again this year after achieving record operating profits in 1985 believed to have totalled more than DM 4bn ($1.8bn) in the group and DM 3bn in the parent company.

Mr F. Wilhelm Christians, one of the executive board's two "speakers" (co-chairmen), said operating profit in the first two months showed a "very satisfactory plus," while business volume rose by DM 1.1bn (compared with a rise of DM 3.4bn in the whole of last year).

He warned that exaggerated conclusions should not be drawn from this for the whole year, not least because the January-February results were inflated by the massive transaction involving Feldmühle-Nobel (the former Flick industrial group), which Deutsche Bank has bought and is bringing to the bourse. Details of the public issue are expected to be announced next Monday.

The interest margin, the difference between interest earned and paid, had again fallen a little this year from last year's level of 2.96 per cent – itself down on the 3.16 per cent of 1984. Competition for traditional credit business was even tougher and margins slimmer.

Against that, Deutsche Bank continued to boost earnings from commissions and from its own-account dealings in securities and foreign exchange. This was apart from the special profits, probably running into hundreds of millions of D-Marks, it will reap from the Flick deal.

Hence the bank is widely seen as well placed to repeat for 1986 the 24 per cent dividend (DM 12 per DM 50 share) it paid for 1984 and proposes for 1985.

There has been some stock market disappointment that Deutsche is not raising its payout this time in view of the glowing 1985 results. The two other German big banks are both increasing their dividends, the Dresdner Bank to 20 per cent and the Commerzbank to 16 per cent.

Mr Christians said that, while Deutsche did not regard DM 12 per share as an upper limit, shareholders had benefited a lot from the bank's long-term strategy to optimise earnings, capital and reserves. The Deutsche Bank share had gained by an annual average of close to one third in the last five years.

At first sight Deutsche's results look less spectacular than those of its main competitors. Apart from the absence of a dividend increase, the rise in operating profit, at "only" 8.3 per cent in the group and 12.4 per cent in the parent bank, is well behind that of other leading banks.

However, Deutsche, unlike many rivals, has raised operating profit without a break for the last nine years and hence began 1985 from a particularly high earnings base. Its total group operating profit for 1985, at more than DM 4bn, is again roughly equal to the group results of Dresdner (more than DM 2.5bn) and Commerzbank (about DM 1.5bn) combined.

The Deutsche parent bank raised its interest surplus by just 1.3 per cent to DM 4.27bn and commissions profits by 19.4 per cent to DM 1.39bn. After allowing for personnel and other expenses, this produced a "partial" operating profit up by just 0.8 per cent to DM 1.85bn (with Dresdner up by 3.5 per cent and Commerzbank up by 14.8 per cent). On top of this came hefty own-account trading profits.

The Deutsche achieved these results on a modest increase in business volume of just 1.8 per cent to DM 242.7bn in the group and 2.4 per cent to DM 146.8bn in the parent bank.

Currency changes, especially the dollar's fall, were mainly responsible for the small volume increase. Without these fluctuations group business volume would have topped DM 250bn.

DEUTSCHE Bank of West Germany is raising its stake in the troubled European Asian Bank (Eurasbank) from 60 to 75 per cent, and would like to gain full control by acquiring the remaining 25 per cent from Creditanstalt-Bankverein of Austria.

The action comes amid news that Eurasbank is receiving an injection of DM 300m ($130.4m) from its owners for 1985 to help cover possible loan losses in South East Asia – the second year in a row shareholders have had to step in with funds.

Eurasbank has four owners – Deutsche Bank with 60 per cent, Creditanstalt with 22 per cent, and Société Générale de Banque of Belgium and Amsterdam-Rotterdam Bank of the Netherlands, each with 9 per cent. In future it will have at most two shareholders.

Mr Alfred Herrhausen, one of the Deutsche's two "speakers" (co-chairmen) said accord had been reached with the Belgium and Dutch partners to acquire 15 per cent of Eurasbank – backdated to January 1 this year. But so far there has been no agreement on acquiring Creditanstalt's stake.

However, it is understood the Austrian bank is taking over the remaining 3 per cent from the Belgium and Dutch to strengthen its holding to 25 per cent. Although Eurasbank has proved costly to its owners in recent years it has a firm position in the South-East Asian markets and offices in 15 countries. Business volume is about DM 9bn and staff total 1,500.

Swiss bank lifts year-end earnings 10%

By William Dullforce in Geneva

PARIBAS Suisse, the Swiss bank jointly controlled by Pargesa and Groupe Paribas of Paris, increased its net earnings by 10.8 per cent to SFr 67.9m ($35.4m) last year. The board proposes to raise the shareholders' dividend from SFr 13 to SFr 14 a share, making a total payout of SFr 47.2m, after allocating SFr 17.5m to the reserves.

Paribas Suisse, which is Switzerland's oldest foreign bank and seventh largest measured by equity, has been reducing its dependence on oil trading, which it has specialised in financing, during the past two years.

It has built up its portfolio management business, restructured and extended its commercial credit operation, become increasingly active in bond issuing and share trading and developing its interbank operations.

Mr Jean-Paul Rambaud, the managing director, said oil business now provided only a quarter of the bank's income compared with 70 per cent a few years ago.

The 1985 report shows total assets of SFr 5.7bn and shareholders' equity of SFr 594m.

Sparkling results put Moët ahead by 27%

BY PAUL BETTS IN PARIS

MOËT-HENNESSY, the leading French champagne and cognac group, showed a strong profit rise last year, with net earnings increasing 27 per cent over the previous year and consolidated sales up 12 per cent.

Net earnings rose to FFr 696m ($94.8m) last year compared with FFr 547m the year before. Before-tax trading profits rose 33 per cent to FFr 1.47bn from FFr 1.1bn, while consolidated sales rose to FFr 7.69bn from FFr 6.84bn.

The group's champagne business saw a 10 per cent advance in sales to FFr 3.4bn last year and pre-tax earnings rose 22 per cent to FFr 671m. The cognac sector's sales increased by 13 per cent to FFr 2.5bn and pre-tax profits rose by 30 per cent to FFr 644m.

Moët-Hennessy's Parfums Christian Dior business lifted sales 13 per cent to FFr 1.7bn. Pre-tax earnings were up 19 per cent to FFr 250m.

The group also announced yesterday it was reinforcing its presence in the horticulture business by increasing its stake in the French Delbart company from 34 per cent to 68 per cent. Delbart is expected to report consolidated sales of FFr 185m for the year ending June 1986 and plans to double turnover during the next four to five years.

Moët-Hennessy diversified into the rose business by acquiring Armstrong nurseries in the US, and the Californian nursery reported a 16 per cent increase in sales. Its losses were also halved to FFr 37m last year from FFr 78m the year before. Moët-Hennessy said its US flower business should break even in 1986-87.

The group said first quarter volume sales had also continued to advance in most business sectors and especially on export markets. However, the volume sales increase was not reflected in nominal terms with turnover rising by only 1 per cent as a result of the sharp fall in the value of the US dollar.

Chase Manhattan achieves 7.5% earnings rise

BY PAUL TAYLOR IN NEW YORK

CHASE MANHATTAN, the third largest US banking group, yesterday reported a 7.5 per cent gain in first-quarter net earnings, which grew to $144m, or $1.63 a share, from $134m, or $1.46, in the year-ago period.

The group said the gain reflected higher net interest income and other operating income, including increases in most fee-based income categories, foreign exchange trading profits, dealer trading profits and in gains from the sales of investment securities which totalled about $40m in the latest quarter compared with $20m a year earlier.

Partly off-setting these positive factors were increased operating expenses and higher loan loss provisions. Chase Manhattan also noted that the net earnings in the year-ago first quarter included a $15m after-tax ($22m pre-tax) gain on the sale of the company's minority interest in a Japanese leasing company.

In the latest period Chase noted that net interest income increased to $827m from $705m a year earlier. The gain reflected a substantially wider net interest rate spread of 4.49 per cent compared with 3.88 per cent a year ago coupled with a $1.1bn increase in average interest earnings assets.

Chase Manhattan noted that its provision for possible loan losses jumped to $130m in the latest quarter from $95m a year ago and net loan charge-offs increased to $114m compared with $74m. Domestic loan charge-offs increased by about $22m to $76m in the latest period while international net loan charge-offs increased by about $18m to $38m.

At the end of March the group said its reserves for possible loan losses stood at $935m or 1.51 per cent of total loans

Group raises Warnaco offer

By Our Financial Staff

W ACQUISITION, the Los Angeles investor group, has again raised its offer for Warnaco, the US clothing retailer, in a bid battle that is being closely watched on Wall Street.

The bidders, chaired by Mr Andrew G. Galef, have sweetened their cash tender offer from $40 a share to $44, valuing Warnaco at close to $450m.

W Acquisition had said last week it would increase its offer to at least $42.50 a share but only if Warnaco management would agree to be acquired.

Olivetti set to conclude Triumph-Adler deal

BY ALAN FRIEDMAN IN MILAN

OLIVETTI, the leading Italian office automation group, is hoping to conclude in the next few weeks its talks with Volkswagen of West Germany on the acquisition of VW's Triumph-Adler office equipment subsidiary.

Neither Olivetti nor Triumph-Adler was willing to comment yesterday on the existence of negotiations. In Nuremberg a Triumph-Adler spokesman repeated the press statement issued last week which said the two companies are discussing "co-operation in research and development and in the exchange of components."

It has been learned, however, that Olivetti and Volkswagen have been talking about Triumph-Adler for some time. If details over the price to be paid for Triumph-Adler – likely to be by means of shares and cash – can be finalised, a formal announcement could be made in the next few weeks.

The value of the acquisition being discussed is not known, but Volkswagen first bought a 55 per cent shareholding in Triumph-Adler in 1979, when it paid Litton Industries of the US more than DM 300m. Volkswagen now owns 98 per cent of Triumph-Adler.

Olivetti in 1984 derived L251bn ($230m) turnover from the West German market.

GORDON PARKER IS MAKING HIS INFLUENCE FELT AT MINING GROUP

Newmont's new chief shows his mettle

BY STEFAN WAGSTYL IN LONDON

MR Gordon Parker, chairman and chief executive of Newmont Mining, is steadily stepping out of the shadow of his predecessor, Mr Plato Malozemoff.

This is not easy because Mr Malozemoff, who handed over to Mr Parker late last year, is one of the grand old men of North American mining. He joined Newmont in 1945, became chief executive in 1954 and chairman in 1966. Seventy-six years old, he has stayed on the board as a consultant.

Mr Parker is already making his influence felt. Mr Bill Siedenburg, analyst with New York stockbroker Smith Barney, said: "He's an extremely good man and he's started well."

Wall Street has a high regard for Newmont Mining. So has Consolidated Goldfields of Britain, which selected Newmont from other North American companies when it chose to invest in US mining. It holds a 26 per cent stake.

Newmont has survived the US mining industry recession of the 1980s far better than most North American groups after diversifying successfully over many years, investing in low-cost base metal production in southern Africa, in gold and in energy.

So while Newmont's US copper companies have suffered as badly as other North American copper producers from a drastic fall in prices, the losses incurred in Arizona have usually been offset by profits made elsewhere.

Last year was an exception. Following heavy extraordinary charges Newmont made its first net loss since the 1930s – $34.8m.

Mr Parker knows Newmont's strengths and weaknesses well. The 50-year-old South African-born mining engineer was managing director of two of Newmont's affiliates in southern Africa for six years before moving to the New York head office in 1981 and becoming president in 1984.

Mr Parker paid tribute to the diversification strategy which Mr Malozemoff pursued for so long, notably taking the group into large-scale gold production in the 1960s with the opening of a mine at Carlin, Nevada, and in the mid-1970s putting together a consortium to buy Peabody Coal, the biggest coal company in the US. "It was an overt diversification strategy and it worked very well," he said.

Mr Parker is looking to streamline the company. Mr Malzemoff took control of Newmont in the expansive heyday of US mining. Mr Parker lives in more straitened times. Mr Daniel Roling of investment broker Merrill Lynch said: "Circumstances are different now. Gordon Parker is probably more hard-nosed than Plato was – but then he has to be."

He has also brought a new management style to Newmont, delegating power to four senior executives, one each for copper, gold, energy and lithium industrial materials. Mr Siedenburg said: "Plato Malzemoff had all the threads of control running into his hands. Nobody else ever had to make a decision. Gordon Parker has made a very good move."

The biggest test of the Parker approach will be in the US copper companies – Magma Copper and its smaller sister Pinto Valley Copper, which together lost more than $100m pre-tax last year on sales which amounted to nearly half the group total.

Mr Parker said this could not go on. Newmont has done much to contain costs by cutting the workforce and making investments, for example, in leaching, a process for producing low-cost copper by treating ore with liquid solvents.

But the future of Magma and Pinto Valley will almost certainly be decided when the US copper industry's long-term pay contracts expire on June 30. In industry-wide negotiations on a new deal, Newmont and other copper producers are demanding unprecedented pay cuts of about 30 per cent.

If they do not get their way, Newmont is unlikely to make essential investments at Magma, including modernising the smelter so that it meets government anti-pollution standards which come into force in 1988. Mr Parker said Newmont might accept more years of copper losses but only if it can see profits on the horizon. "Otherwise we must get out of the US copper business."

Mr Parker is keen on energy, which last year made the biggest contribution to group profits – $40.6m pre-tax. As well as 30.7 per cent of Peabody Coal, Newmont has interests in oil and gas in the US and elsewhere. Mr Parker last year backed the $165m acquisition of Aminoil, the Dutch subsidiary of Philips Petroleum.

In his eyes, gold is even better. Expansion of Newmont's mines in Nevada (Carlin) and Australia (Telfer) should take production from 319,000 ounces last year to 440,000 ounces in 1986, rising to more than 500,000 ounces.

Elsewhere in the group, Mr Parker has some sorting out to do. Newmont last year wrote down its investments in Foote Mineral, a lithium producer, and Sherritt Gordon Mines, a Canadian chemicals and metals company. It sold off Atlantic Cement, a US cement maker, for $145m but retained Atlantic's president to investigate possible acquisitions in industrial minerals.

Mr John Tumazos of Wall Street stockbroker Oppenheimer said: "Gordon Parker is proceeding very deliberately. The decisions he is making are long-term. They're going to affect the company for many years to come."

National Gypsum team increases buy-out offer

BY OUR FINANCIAL STAFF

THE BID battle for National Gypsum, the second largest US producer of gypsum (plasterboard) building products, has intensified with a new offer valued by a management-led buyout group at $1.69bn.

The group, led by Mr John P. Hayes, National Gypsum's chairman and chief executive, raised its bid to $46 a share in cash and $28 a share in subordinated discount debentures.

It tops a $54 a share cash bid made last week by Wickes, the US building materials retailer which emerged from bankruptcy 18 months ago.

The management group had started the bidding process in January by offering $41 cash and $17 in debentures for the group.

This original bid was valued at $52 a share by market analysts. On this basis, the latest bid would be worth about $64, although the management group is valuing it at $74 a share, based on 22.8m shares outstanding.

National Gypsum said a special committee of outside directors was evaluating the revised offer from management and the Wickes bid, and was expected to make a recommendation to shareholders.

The committee had recommended the earlier offer from management before the Wickes bid was made.

Officials of Wickes, which is based in California, could not be reached for comment. Wickes has interests in lumber and home furnishings, clothing and manufacturing and vehicle parts.

National Gypsum said the management group planned to submit the new terms to a vote by shareholders on April 25. A vote on the earlier management bid had been scheduled for last week, but was adjourned when Wickes made its offer.

In early trading yesterday on Wall Street, National Gypsum's shares were up $3⅛ to $82.

Ciba to buy US contact lens unit

By John Davies in Frankfurt

CIBA-GEIGY of Basle is to consolidate its position as a leading international producer of contact lenses following a divestment by the Nestlé group.

The chemical company has agreed in principle to acquire the European and North American contact lens activities of Alcon Pharmaceuticals, a Nestlé subsidiary with headquarters in Fort Worth, Texas.

This business, which generates annual turnover said by Nestlé to be between SwFr 20m ($10.5m) and SwFr 25m per year, is based in the US, Canada, France, Sweden and Denmark with smaller units in five other European countries.

Apart from an operation in Munich, Alcon will retain its activities in the field of contact lens care products, which will continue to be what the American company calls a "core business." Alcon is also an important manufacturer of opthalmic medicines and surgical products for opthalmology.

The decision to sell the contact lens assets is explained by "new opportunities for growth in Alcon's core businesses."

Ciba-Geigy, which entered the vision-care sector in 1981, is already a large-scale producer of both contact lenses and lens care solutions. Main activities are those of the Atlanta-based Ciba Vision Care and the German company Titmus Eurocon Kontaktlinsen of Aschaffenburg.

In addition this, the Swiss group last September announced that it planned to purchase the contact lens and lens care business of American Optical Corporation of Southbridge, Massachusetts.

European orders lift NCR earnings by 15%

BY PAUL TAYLOR IN NEW YORK

NCR, the US computer and transaction processing equipment group, yesterday reported a 15.2 per cent increase in first-quarter net earnings.

The Dayton, Ohio-based group's continued earnings strength was helped by a 14 per cent gain in worldwide revenues paced by strong European orders and the favourable impact of the weaker dollar.

NCR said first-quarter net earnings increased to $50.23m, or 51 cents a share, from $43.6m, or 43 cents a share, in the previous year on revenues that grew to $960.8m from $842.7m. NCR noted that worldwide incoming orders, including adjustments for order backlog, posted a substantial gain and rose to a record first-quarter level.

The group's first-quarter performance contrasts with that of IBM, which last week reported only a modest gain in profits and a slight decline in worldwide orders. However, like IBM, NCR noted that the domestic US market remained soft.

Mr Charles Exley, NCR's chairman and president, said: "Orders showed great strength in Europe with growth across all product lines, even before the beneficial effect of currency changes on order backlogs. Europe was the pacesetter for incoming order growth and compensated for order softness in the US and other parts of the world."

Mr Exley, who has made revenue growth a high priority for NCR, which has been rapidly expanding its products, noted that the first quarter "was the fourth consecutive quarter of accelerating revenue growth and the second consecutive quarter of double digit growth." He said revenue growth was particularly strong outside the US.

"Both revenue and incoming order comparisons benefited significantly from the rise in the dollar value of most major currencies during the past year," he said. "The favourable effect of these currency changes is not fully reflected in first-quarter earnings, but earnings in subsequent quarters will benefit if present rates persist."

Nevertheless, Mr Exley added, "in appraising the outlook for the balance of the year, the continued slow growth of the industry as a whole is a source of concern. Despite this, the positive effect of current exchange rates, substantially improved results in our personal computer and micro-electronics operations, and first-quarter incoming order levels lead us to continue to expect a good year for NCR."

Imasco offers C$2.4bn for Genstar

By Robert Gibbens in Montreal

IMASCO, the Canadian fast-food, tobacco products and retailing group, is going ahead with its C$58 a share cash offer for all the shares of Genstar Corporation for a total of about C$2.4bn (US$1.72bn). Managements of Genstar and Imasco have agreed that if the offer is successful by the April 25 expiry date, they will negotiate the sale of Genstar's building materials, waste management and property assets in Canada and the US, leaving only Canada Trust in the hands of Imasco.

This could be achieved by Genstar continuing as a corporate entity and by buying the non-financial services assets back from Imasco. Alternatively some of these assets could be sold to third parties.

Analysts estimate the value of the non-financial assets at about C$1.5bn. This amount would later be returned to Imasco, reducing the cost of Canada Trust to about C$1bn.

In this way Imasco, 44-per cent owned by BAT Industries of the UK, would have achieved its aim of becoming a major force in Canada's financial services industry. Political opposition to the takeover has quietened in the past few days.

A week ago when Imasco received endorsements for its offer from the Genstar board, it said it would either pay C$58 cash per share for Genstar or C$54 plus a security worth a minimum of C$54 representing a share in a continuing Genstar and its non-financial assets.

Profits dip for Rand Mines

By Kenneth Marston in London

LOWER operating profits are reported for the March quarter by the South African gold producers in the Rand Mines Group. The reductions mainly reflect a lower South African gold price following the recovery in the rand against the US dollar in which gold is priced.

There has also been a trend to reduced gold output in line with lower ore grades and reduced milling rates. Blyvooruitzicht, for example, has received an average gold price in the latest quarter of R23,998 ($12,120) a kilogramme against R25,337 in the previous three months.

The fall in the company's net profit, however, has been cushioned by a lower tax liability. This has also applied in the case of the gold and uranium-producing Harmony.

Morton Thiokol suffers third-quarter setback

BY TERRY DODSWORTH IN NEW YORK

MORTON THIOKOL, the US aerospace group which built the ill-fated booster rocket on the Challenger spacecraft which exploded in January, incurred a severe slump in earnings in its third quarter with net income at $36m against $107m a year ago.

The company said the slide in earnings was mainly the result of a comparison with a period last year when it declared a $75m extraordinary gain on the sale of certain businesses. On a continuing basis, earnings in the third quarter showed a 12 per cent increase from last year's $32m.

The earnings figure, the equivalent of 76 cents a share against $2.18 a share in 1985, was achieved on sales of $518m against $497m in the previous year.

In the first nine months of the fiscal year to the end of March, Morton Thiokol earned $103m, or $2.17 a share, compared with $170m, or $3.41, in the same period of last year. Sales for the nine months rose to $1.5bn from $1.4bn.

Mr Charles Locke, chairman, said the company had been affected by a drop in sales and profits associated with the space shuttle programme during the quarter. But most other activities in the company showed an improvement on their prior-year performance with aerospace profits up by 13 per cent, special chemicals up by 5 per cent and net income in the Salt Group up by 19 per cent.

Tandem launches new range

BY ALAN CANE IN LONDON

TANDEM Computers, the Cupertino, California, company which pioneered "fault-tolerant" computing, yesterday launched worldwide a new family of machines claimed to be the most powerful of their kind.

The new range, called the Non-Stop VLX, is said to be twice as powerful, three times as reliable and to need only half as much maintenance as Tandem's previous top-end machine family.

The company is important because of its commitment to transaction processing, the computing required by banks and other financial organisations moving towards on-line real-time processing.

This includes applications such as electronic corporate cash management and electronic funds transfer at the point of sale. Banks and other financial organisations predominate among Tandem's customers.

Tandem pioneered fault-tolerant computing in the mid 1970s using duplicate components so that no single failure could halt one of its systems. Its chief competitor is another US company, Stratus, whose machines are also sold by IBM and Olivetti.

Up to 250 transactions a second are possible using one of the new VLX computers; the company says, making 1,000 transactions a second possible with four linked machines.

A form of artifical intelligence has been installed on the VLX range to assist fault diagnosis.

Prices for the new computers start at $1.3m.

Gulf Canada in new bid for Hiram Walker

By Bernard Simon in Toronto

GULF CANADA, a subsidiary of property and resources company Olympia & York, has made a new bid for control of Hiram Walker Resources, the alcoholic beverages group.

In an offer which valued Hiram at almost C$5bn (US$3.6bn) Gulf said it would pay C$36 for each Hiram common share and C$74 for each series, class D preferred share tendered on the Ontario and Montreal stock exchanges on April 23. The offer is not open to US residents. It is Canada's largest takeover battle.

Hiram said it had no immediate comment on Gulf's latest offer.

O & Y already owns 11 per cent of Hiram's voting shares. Gulf reiterated yesterday it also had the support of Interprovincial PipeLines, Hiram's largest shareholder with a 15 per cent stake.

Mr Paul Reichmann, whose family controls O & Y, said he regretted the animosity that had developed with Hiram. He said: "Had we known it would be unfriendly, we would not have gone near it."

Mr Reichmann said Hiram's directors were mistaken in believing O & Y would dismember the liquor and energy company after acquiring control.

Gulf's new bid is a response to the $36.50 a share offer earlier this week by the pipeline transmission group TransCanada PipeLine. Hiram's directors have so far spurned Gulf's advances, and earlier advised shareholders to accept the TCPL offer.

TRW shows 9.3% advance

TRW the US diversified manufacturing group, reported a 9.3 per cent advance in first-quarter net earnings as sales grew 4.1 per cent. TRW's per share net earnings soared by 36.5 per cent, reflecting the impact of the group's aggressive share buy-back programme.

Net earnings increased to $61.9m or $2.02 a share fully diluted compared with $56.6m or $1.48 a share fully diluted a year ago as sales increased to $1.49bn from $1.43bn in the year-ago period.

Solution sought for SIA's foreign holdings problem

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE International Airlines (SIA), currently facing criticism from investors abroad over its 20 per cent ceiling on foreign shareholdings, has been asked by the Government to work out a *solution* to the problem.

The request comes from Temasek Holdings, the biggest of the Government's three major holding companies and SIA's largest shareholder, with 63 per cent. It follows a surge in foreign shareholdings since the airline made its first public share offer in December last year.

SIA's shares, issued at S$5 (US$2.29), rallied from a low of S$3.98 after the December stockbroking crisis to hit S$6.95 on foreign buying interest. But the price has fallen back to S$5.75 since the implications of the ceiling were recognised.

A resolution of the issue is important because prospective foreign buyers of SIA shares want assurances that any stock they purchase will be properly registered for dividends. *Because the 20 per cent ceiling* has already been reached those assurances cannot be given, and even sales could be affected.

The problem coincides awkwardly with the expiry on Thursday of the 120-day time limit on the sale of just over 40m SIA shares which were privately placed abroad. Few bankers or brokers are prepared *to predict what will happen; but* some of the more frustrated ones say the whole affair could hurt SIA's hopes for a foreign lising.

Temasek's request to SIA comes in response to an approach from the airline recommending that the 20 per cent ceiling, set by the airline and its advisers at the state-controlled DBS Bank, be raised.

The airline has in turn been asked to study what it would do if a new, higher limit was reached again. The clear implication is that a limit of some sort will remain, principally because the Singapore Government would like to be sure that at least *some* private Singaporeans can hold the shares.

Bankers *say* this is misguided, and argue that there is *no need for shares to be re*served in this way, especially *if* a listing abroad is to be sought.

It is also clear that the Government intends to retain control through a majority stake in the company, even though this is not essential and other mechanisms, such as the "golden share," are available *to ensure control.*

Australia may tighten takeover regulations

By Emilia Tagaza in Canberra

A REPORT commissioned by the Australian National Companies and Securities Commission (NCSC) which found that corporate takeovers generally led to a deterioration in the performance of the merging firms, could lead to tougher takeover laws.

The report was released yes*terday amid the heightening* battle over control of Broken *Hill Proprietary (BHP)*, Australia's largest corporation.

It analysed the *perform*ances over time of Australian listed companies involved in takeovers—and found there was no strong evidence to suggest that takeovers led to an improved performance of *the acquiring firms*, or to higher relative returns to *shareholders.*

The BHP battle and the recent rush of takeovers are expected to hasten the passage in the Federal Parliament of government amendments to existing legislation. The amendments propose the prohibition of the use of escalation clauses which guarantee early sellers a share of later *higher prices, and the ban*ning of pro-rata offers for a fixed *proportion of a com*pany's equity.

The NCSC, which helped formulate the proposals, had argued that escalation arrangements favour institutional shareholders at the expense of small individual investors. It said pro rata offers create a stampede *effect*, forcing shareholders opposed to the partial takeover to accept the bid to avoid being *locked into a minority posi*tion.

Pan-Electric director arrested

BY OUR SINGAPORE CORRESPONDENT

MR PETER THAM, wanted by the Singapore Government in connection with the collapse of Pan-Electric Industries and the associated stockbroking crisis, was arrested at the country's airport early yesterday and is expected to appear in court later this week.

The *arrest concludes* a search which began when Mr Tham mysteriously disappeared last year, well ahead of the debacle which rocked the island state's stock market, broking industry and banking sector.

The 37-year-old businessman was a director of Pan-Electric, chairman of Growth Industrial Holdings, which had a 31.6 per cent stake in Pan-Electric, and managing director of Associated Asian *Securities*, a *local* broking firm. None of the three *concerns is still in business*, and Singapore is still experiencing *the reverberations.*

Mr Tham returned to the island state on a Singapore Airlines flight from Tokyo accompanied by two officers of the Commercial Affairs Investigation Department, part of the Ministry of Finance. His return was described as voluntary, but it is not clear how he left the US, where he was last seen, and arrived in Tokyo.

Mr Tham is likely to face charges of criminal breach of trust and stock market manipulation. Mr Tam Kok Liang, another Pan-Electric executive, is already serving a 15-month sentence in prison, while Mr Tan Koon Swan, the Malaysian Chinese businessman and politician, is due to face trial next month on similar charges.

Nintendo boosts net profits 40%

By Yoko Shibata in Tokyo

NINTENDO, the Japanese home computer game manufacturer whose shares have risen dramatically on the first section of the Tokyo Stock Exchange in recent months, has reported a modest 5.4 per cent growth in pre-tax profits to Y15.62m for the first half year.

Net profits, however, soared by *39.7* per cent *to* Y6.4bn *($35.7m)* on the basis of sales *which rose 51.1 per cent to* Y56.09bn ($313m).

Shares in Nintendo, *originally* a maker of playing cards, rose from Y4,230 last September to over Y10,000 last week.

This year the company is forecasting full year profits of Y32.1bn, up 43.8 per cent.

Abu Dhabi insurer steady despite marine side fall

BY ANGELA DIXON IN DUBAI

PROFITS at *Abu Dhabi* National Insurance Company (Adnic) held almost steady in 1985 at DH 103.1m ($28m) against DH 104.5m, despite a steep drop in marine and aviation business. Premiums in marine and aviation dipped by 32 per cent, while profits in the division decreased by 30 per cent, from DH 18.9m in *1984 to DH 14.1m.*

Adnic's share of paid and out*standing M and A losses* increased in 1985 from DH 9.6m *to DH 11.8m, while reserves for* unexpired risks increased by 4 per cent.

The figures reflect the greatly reduced activity in Abu Dhabi's oil industry. The number of offshore rigs maintained by the *state oil company is expected to* reach a low of five by the end *of this year*, from an earlier total of 15 or 16.

Adnic is one of four national UAE insurance companies entitled to handle the business of the Abu Dhabi National Oil Company (Adnoc) and its subsidiaries. The others are Al Ain Ahlia, Al Dhafara and Emirates National. Adnic, however, handles the vast majority of *this business, and so its decline* has had a marked effect on Adnic marine results.

Profits in the fire and accident division, however, increased marginally to Dh 33.4m from Dh 32.7m.

Adnic declared a dividend of Dh 45m.

Reliance Industries lifts payout to 50%

By R. C. Murthy in Bombay

RELIANCE INDUSTRIES, the chemicals and diversified group which is India's fastest-growing company, has raised its dividend for 1985 to a record 50 per cent. The company is to disburse Rs 257.5m ($20.5m) in preference and equity dividends to more than 1m investors.

Reliance sales increased by 17.7 per cent last year, to *Rs 7.11bn from Rs 6.04bn.* Gross profit surged 26.9 per cent, to Rs 1.08bn from Rs 857.2m. Net profit rose 28.5 per cent to Rs 713.4m.

Reliance's Rs 10 shares responded to the results by posting an increase of Rs 19 to Rs 313.

INTERNATIONAL BONDS

Denmark fills gap in zero market

BY CLARE PEARSON

THE EUROBOND markets were generally quiet yesterday although traders reported a firm undertone.

Denmark launched a $150m zero-coupon bond maturing in 1991 and with a price of 69 per cent. At issue the bond yielded 7.37,or 28 basis points over US Treasury bonds. The 5½-year life was chosen to fill a gap in the zero-coupon market for bonds of this maturity. Lead-manager Morgan Guaranty quoted a bid price of less 1 yesterday afternono.

British Oxygen launched a $100m 10-year issue which will be used to reschedule some outstanding short-term debt. Swiss Bank Corporation led the deal.

With a coupon of 8½ per cent and a price of 99½, the bond was priced to yield at issue 110 basis points over comparable US Treasury bonds. The issue is callable after seven years at 101½ and thereafter at declining premiums.

Recent issues in dollars have been launched with coupons of 8 per cent and below. Despite the generous spread provided by this bond, some bankers felt the call option would reduce its attractiveness. The bond was quoted outside the total fes.

Alaska Housing Corporation, an Alaskan state agency, launched at $100m issue, $48m of which is made up of serial bonds maturing between 1989 and 1994, and $52m of 15-year bonds. The issue is in targeted registered form.

All the bonds pay interest at 8½ per cent and are priced at 100½. The issue is secured by an Industrial Bank of Japan letter of credit and has the collateral of US Government housing finance agency securities.

The 15-year bonds may be called in year 13 at 102, declining by one point a year thereafter. A sinking fund will give an average life of between 12 and 13 years. The $52m bond was quoted by lead-manager Industrial Bank of Japan International as bid at less 2.

Toronto Dominion, the Canadian bank, launched a $150m 10-year issue. The coupon is 7⅞ per cent and the price 100½. The lead-manager is Shearson Lehman. The issue margin of 60 basis points over US Treasuries was thought to be tight, given the market's present resistance to bank names. The bond traded outside the fees of 1⅞ per cent yesterday afternoon.

Associates Corporation, the US finance company, issued a $125m 10-year 7⅞ per cent bond at 100⅝, giving a spread at issue of 57 basis points over US Treasuries. The bond is callable after seven years. Morgan Stanley led the deal, which came too late in the day to trade actively.

Salomon Brothers launched the eighth in a series of warrants into US Treasuries. There are 250,000 warrants each exercisable into US Treasury 7½ per cent 1990 at an exercise price of 107⅝.

Late in the day Mazda, the Japanese motor manufacturer, launched a $150m issue with a coupon of 7⅝ per cent and price of 101½. Daiwa Europe led the deal.

After dramatic price rises last week, nervousness hit the French franc Eurobond market yesterday and prices fell by up to ½ point. Uncertainty over the direction of the market was increased ahead of the Bank of France's ½ point cut in its intervention rate to 7½ per cent, announced shortly after close of business.

Pittsburgh Plate Glass (PPG), the US glass and industrial coatings company, issued the third French franc Eurobond of the April calendar, with Banque Nationale de Paris leading the deal. PPG will use the proceeds for the financing needs of Boussois, its French subsidiary.

The FFr 300m five-year bond bears a coupon of 7⅞ per cent with a par pricing. A bid price of less ⅞ was quoted yesterday afternoon.

D-Mark bonds were steady and prices were unchanged on the day at close.

The Kingdom of Belgium launched two bonds with CSFB-Effectenbank as lead manager. The first was a fixed-rate DM 250m issue with a coupon of 5½ per cent, a price of par, and a life of 10 years. Some bankers felt terms were aggressive.

Belgium also launched a zero-coupon DM 200m 10-year bond. The price was 52.60 per cent, to give an effective yield of 6.64 per cent. In contrast to the fixed-rate deal, these terms looked generous, and the bond was quoted around the issue price.

Bank of Nova Scotia launched a DM 30m 10-year issue. The coupon was 5⅝ per cent and the price 100½. Commerzbank led the deal, which was quoted within fees of 2½ per cent.

Dresdner Bank launched a DM 200m bond for BMW, the West German motor manufacturer. The issue has a life of 10 years and bears a coupon of 5½ per cent, the lowest on a 10-year issue since the late 1970s. The bond was trading at around issue price yesterdag afternoon.

Hydro-Quebec launched a two-tranche deal. The DM 125m tranche is for 10 years and pays 5½ per cent interest. The DM 150m tranche is for 30 years, the first bond of this maturity in the DM market for some time. The coupon is 6 per cent. In both cases issue price is par. Both traded well within fees of 2½ per cent.

The Swiss franc market saw mixed performances by seasoned bonds. The market seems to be suffering from an overhang of paper.

National Australia Bank launched a three-year issue with a coupon of 12¾ per cent. Issue price was 100⅞. Orion Royal Bank led the deal.

Japanese banks face increased supervision

By Yoko Shibata in Tokyo

THE JAPANESE Ministry of Finance is planning to introduce tighter supervisory standards on Japanese banks' overseas fund management by implementing new monitoring measures, including risk asset ratios and liquidity ratios, designed to match recent financial deregulatory measures.

The introduction of a liquidity ratio is designed by the Finance Ministry to deal with liquidity shortages, such as the sudden difficulties banks might encounter in raising foreign currency-denominated funds in the interbank money market in the event of a credit crisis in the Euromarket.

Japanese banks' foreign transactions in both fund procurement and asset management have gained considerable weight in recent years. For example, Japanese banks' outstanding investments in foreign bonds have more than trebled in two years from $6bn at the end of 1983 to $20bn in 1985. The conventional monitoring formula, based on a gearing ratio designed to measure the size of banks' overseas assets, is failing to measure off-balance sheet risks.

According to the MoF's formula for calculating foreign assets, interbank money market transactions such as deposits and call loans incur a risk weighting of 0.2. In securities, privately placed bonds are weighed at 1.0, publicly offered bonds at 0.3, and equity holdings at 1.0. Short-term overseas loans and advances are set at 0.5, medium-term/long-term overseas loans and advances 1.0 and export-import bills 0.2.

Off-balance sheet instruments, including revolving facilities, stand-by credit facilities, commercial paper back-up lines, floating-rate note back-up facilities, revolving underwriting facilities and note issuance facilities all incur a risk-weighting of 0.1 for short-term commitments and 0.3 for long-term commitments.

The Ministry of Finance is understood to be preparing to introduce a dual system of supervision for banks, using separate criteria of capital adequacy. Risk asset ratios will be applied to international assets, along the lines of those being adopted by the UK and the US authorities, and equity ratios, including hidden reserves, to domestic assets.

Manufacturers Hanover plans HK mutual fund

BY DAVID DODWELL IN HONG KONG

MANUFACTURERS Hanover, one of the leading capital markets operators in Hong Kong, aims to set up a mutual fund in the territory which would for the first time give individual investors access to the infant Hong Kong dollar capital market.

Such a fund is likely to be politically controversial, since it would be an indirect assault on the interest rate cartel operated by the Hong Kong Association of Banks, which makes retail banking highly lucrative in the territory. The new fund would offer Hong Kong dollar investors interest rates more than twice those available from the retail banks.

If successfully established, it would almost certainly be copied by a clutch of other merchant banks. Jardine Fleming, for example, is understood to have been considering similar moves for some months. Like Manufacturers Hanover, it had hoped to have a scheme in place later this year.

Hong Kong's domestic capital market, which is mostly made up of certificates of deposit (CDs), rocketed from HK$260m in 1984 to issues worth HK$7.2bn (US$923m) last year. It is at present entirely institutional. The smallest denomination which can be traded is HK$500,000.

The aim of the mutual fund proposed by Manufacturers Hanover, which could have minimum denominations as low as HK$50,000, would be to attract individual class investors who at present must resort to the equity market or go offshore if they are to earn better than 3 per cent interest on savings they want to keep liquid.

The idea of a mutual fund has been dismissed until now, because of government signals that the authorities would block any move undermining the interest rate agreement.

In recent months, however, there have been hints that the government is less than happy with the way the agreement is being operated. The media has attacked the cartel as featherbedding its members—the local retail banks—since it allows them to obtain funds at a cost of little more than 3 per cent, and to lend the funds at rates often well above the prime rate of 8 per cent.

Cartel members, prominently the Hongkong and Shanghai Banking Corporation and the Standard Chartered Bank, have defended the interest rate agreement on the grounds that it protects depositors from potentially destabilising interest rate wars.

Critics have complained that savers unwilling to risk their funds in the volatile local stock market have been forced into foreign currencies to earn reasonable returns. More than half of Hong Kong's money supply — over HK$480m as measured by M3 — is now in currencies other than the Hong Kong dollar.

Single A rating for Thomson

BY PAUL BETTS IN PARIS

THOMSON, the nationalised French defence and electronics group and one of the key candidates of the new right-wing Government's privatisation programme, has become the second major French state-controlled group to gain a rating from Standard & Poor's, the US ratings agency.

S & P has granted Thomson a single A rating, putting the company in the same league as US groups like Allied Signal, General Foods, Ford, ITT, Martin Marietta and North American Philips and foreign companies like Canon and Ricoh. The other state-controlled French group to have an S & P rating is Elf Aquitaine, the oil concern and the country's largest enterprise which is also a candidate for privatisation. Elf's S & P rating is a double A-minus.

Mr Christian Aubin, Thomson's financial director, yesterday said the S & P rating was extremely significant and would give the French group much greater direct access to tap US capital markets as well as increase its visibility in the international investment community.

Although Thomson claimed it was purely coincidental that its S & P rating should be announced the very day after the new French Government outlined its privatisation programme, the rating will clearly give the group an important term of reference for calculations of its worth for the purpose of privatisation.

The single A rating also reflects Thomson's recovery. After four consecutive years of losses it returned to the black last year with net earnings of between FFr 400m and FFr 500m.

Abbey Life loan facility to fund mortgage expansion

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE ABBEY LIFE insurance group of the UK is arranging a £100m loan facility to finance expansion of its residential mortgage business in the UK.

Led by Samuel Montagu, the deal will be arranged in the name of a recently incorporated subsidiary, Abbey Life Home Loans. It has an eight-year life though the maturity can be extended indefinitely for periods of a year at a time.

Under the facility, Abbey Life, which already has a £140m mortgage portfolio, will raise money in the form of short-term advances for which participating banks will bid through a tender panel.

The advances will carry a maximum margin of ⅛ point over sterling money market rates, although lending banks will absorb the first 6½ basis points of the cost of maintaining UK reserve requirements.

The facility carries an annual facility fee of 12½ basis points. In the first year, however, half the amount can be held in reserve and this portion will carry a fee of 5 basis points.

Abbey Life has agreed a schedule for drawing on the facility. If drawings fail to keep pace with the schedule, an extra fee of ⅛ per cent annually will be levied on the shortfall.

Standard Chartered issues sterling warrants FRN

BY OUR EUROMARKETS STAFF

STANDARD CHARTERED, currently the object of a takeover approach from Lloyds Bank, yesterday launched the first sterling floating-rate note (FRN) with warrants attached, allowing holders to buy a fixed-rate bond.

This is the second issue of sterling debt warrants following Bank of England approval of the concept last week. The first was a private issue for Den norske Creditbank last Friday. Credit Suisse First Boston led both transactions.

Standard Chartered Merchant Bank is a co-lead manager of this issue. It said yesterday that the issue was for normal funding purposes and was not related to the approach from Lloyds.

The £150m 10-year FRN pays interest at 10 basis points over three-month London interbank offered rate (Libor). The issue price is 100.10. There is a borrower's call option from May 1991 at par, and fees total 22½ basis points.

There are 150,000 three-year warrants, priced at £32 each, exercisable into non-callable 9 per cent 10-year Eurobonds issued at par.

The total package provides a cost of funds to the borrower significantly below Libor.

Yesterday afternoon the FRN was bid comfortably within fees at 99.95 and the warrants at £34.

Euromarkets first for LA bank

By Our Euromarkets Correspondent

FIRST Interstate Bancorp of Los Angeles has become the first international borrower to offer medium-term notes continuously in the Euromarkets.

The bank will issue up to $150m of one to 15-year notes from London. Merrill Lynch and First Interstate itself will act as agents.

Under the concept of continuously offered notes, a borrower can post rates continuously for funding across a range of maturities. The system, which brings commercial paper techniques to the bond markets, is more flexible than a bond issue because borrowers can tailor their funding to meet their specific needs at any time.

Continuously offered notes are a rapidly growing form of financing in the US domestic market — the World Bank recently announced a programme of up to $500m in New York—but the idea has been slow to spread to the Euromarkets. First Interstate has already issued over $1bn in continuously offered notes in New York.

In the Euromarket, First Interstate will initially offer securities to non-US investors. They have been registered with the Securities and Exchange Commission and application has been made to list them in Luxembourg.

The notes will bear a fixed rate of interest paid annually and will be sold in denominations of $5,000 and $10,000.

The interest rate for the notes will be set at the time of sale and they will be priced at a spread over US Treasury bond rates. Clearance will be through Euroclear and Cedel.

San Miguel share move

By Samuel Senoren in Manila

THE GOVERNMENT of President Corazon Aquino has authorised the transfer of 33.3m shares of San Miguel Corporation valued at $165m which were sold by the Philippines Coconut Industry Investment Fund to a group led by Mr Andres Soriano III after it determined that the sale had been cleared by the Securities and Exchange Commission.

However, it ordered the proceeds of the sale held under sequestration until the true owners of the Coconut Fund are identified.

A Government commission tracking down the wealth of deposed President Ferdinand Marcos and his business associates suspect that a close Marcos ally Mr Eduardo Cojuangco is one of the owners of the investment fund.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on April 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	102¾	103¼	-0¼	+0¼	9.34
Atlan. Richfield 10¾ 00	250	109¾	110¼	-0¼	+0¾	8.96
Australia Com. 11 95	200	119¾	120¼	0	+2¼	7.86
Australia Com. 11¾ 00	100	121¾	122¼	-0¼	+2¼	8.32
BP Capital 9⅛ 94	100	104¼	104¾	-0¼	+1¼	8.36
BP Capital 11⅞ 92	150	111⅛	111⅝	-0⅛	+0⅜	8.50
Campbell Soup 10⅝ 95	100	114⅜	115⅞	-0⅛	+1⅜	8.14
Canada 9 96	1000	108⅛	108⅜	-0⅛	+1⅜	7.85
Canada 11⅞ 90	500	113⅛	113⅝	-0⅛	+0⅞	7.42
Canadian Pac. 10⅞ 93	100	110⅛	111⅛	-0⅛	+1⅞	8.63
CEPME 10⅞ 91	100	108⅜	109⅛	0	+1⅜	7.91
Citicorp 10 88	200	104⅛	105⅛	+0⅛	+0⅛	7.66
Citicorp 10⅞ 95	200	106⅛	107	-0⅛	+1⅛	8.49
Credit Lyonnais 9 91	200	105⅜	105⅞	-0⅛	+1⅛	7.62
Credit National 9⅞ 93	150	106⅜	107⅜	+0⅛	+1⅛	7.76
Denmark Kgdm. 11⅞ 89	100	108⅜	109⅛	-0⅛	+0⅞	7.88
Denmark Kgdm. 11⅜ 90	100	112⅜	112⅞	-0⅛	+0⅛	7.78
Denmark Kgdm. 11⅜ 92	100	115⅜	116⅜	-0⅛	+0⅛	8.04
EDC 8⅞ 92	100	103⅜	104⅛	-0⅛	+1⅞	7.63
EDF 10 95	225	109⅜	110⅛	-0⅛	-1	8.40
EEC 8⅞ 91	150	104⅛	105⅛	-0⅛	+1⅛	7.39
EEC 9⅛ 90	360	106	106⅜	0	+1⅛	7.84
EIB 10⅛ 94	200	111⅛	111⅞	+0⅛	+1⅛	8.28
EIB 12 95	200	124⅛	124⅞	-0⅛	+2	8.06
Eli Lilly 10⅞ 92	150	112⅛	113⅛	-0⅛	+1	7.45
Equit. Ltd. Rlty. 10⅞ 97	100	110⅛	110⅞	+0⅛	+1	8.95
Export Dev. Cpn. 10 90	100	106⅞	109⅛	-0⅛	+0⅛	7.32

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aus. Ex. D. Cr. 0 91 A$	100	54¾	55¾	—	—	12.63
A. & NZ Bk. 15¾ 90 A$	50	106	107	-0½	-0¼	12.92
Fiat Finance 14½ 89 A$	50	103¼	104¾	0	+1¼	12.62
LB Schleswig 14¾ 91 A$	30	104½	105½	0	+0¼	12.66
Allied 10½ 90 C$	50	†106¾	107¼	0	+0¾	8.54
Canad. Pac. 10¾ 90 C$	75	†106¾	107¼	+0½	+0¾	8.37
CIBC 10¾ 90 C$	75	†105	105½	0	+1¼	9.23
Genstar Fin. 11¾ 95 C$	75	†108¾	108¾	0	+1	10.59
Montreal 11½ 95 C$	75	†109	109½	-2½	-0¾	10.07
Ryl. Trustco 10¾ 90 C$	75	†103¾	104¼	+1¼	+1¼	9.21
Sears Acc. 10¾ 92 C$	75	†106¾	108¾	0	+1¼	9.35
Coca-Cola F. 17 90 NZ$	75	†101¾	102¼	+0¼	-5¼	16.23
Denmark 17½ 88 NZ$	50	†98¾	99¾	+0¼	+0¾	17.78
Unilever Co. 17½ 89 NZ$	50	99	100	+0¼	+1	17.56
Copenhagen C. 9 95 Ecu	40	†113½	114	-0¼	+2¼	6.99
EIB 8¾ 93 Ecu	180	†104½	105¼	-3	-3	7.64
Westdeutsche 94 Ecu	63	†109¾	109¾	-0¼	+3	7.12
Honda 90 Fl	100	110	110½	+0¼	+1	1.19
Honda XW 3⅞ 90 Fl	100	92¾	92¾	-0¼	+0¼	6.04
Thyssen 7½ 90 Fl	60	103	103½	0	0	6.36
Wereldhave 7½ 90 Fl	75	104	104½	0	+0¼	6.33
Wessanen 8¾ 90 Fl	50	100¾	101¼	-0¼	+2¼	8.44
RENSA 9¾ 96 FFr	500	†109¾	109¾	-0¼	+1¼	8.29
Amev 11 93 £	50	106¾	107¼	+0¼	+1¼	9.56
Australia Com. 11½ 2 £	40	107¾	108¼	+1¼	+2	9.20
GMAC UK F. 10½ 90 £	30	104	104½	+0¼	+0¼	9.18
Imp. Ch. Ind. 11¾ 95 £	100	108¾	108¾	+0¼	+1¼	9.90

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Building on the Hicks image

William Dawkins on the management of a style

David Hicks (left) and Leslie Button in the reception of Citibank in London's Strand, designed by David Hicks International

BEING the eminence grise of British interior design is one thing, but making a profitable business out of it demands quite different skills.

That realisation drove David Hicks to team up 17 years ago with Leslie Button, a former production salesman for a maker of printed circuit boards, who since then has provided the commercial brainpower behind what is now a household name for style among the rich and aristocratic.

Like a miniature version of Laura Ashley—which it will be following on to the full stock market next year—David Hicks International depends heavily on one person's personality, yet also like the fashion group, it has devoted much effort to evolving a business and design style that could run almost independently of its founding name.

For Hicks, now 57, and the group's elegant showrooms in London's Jermyn Street are only the most visible parts of the company. The real power behind the throne is 48-year-old Button, whose 49 per cent equity stake makes him by far the most influential shareholder.

It was at the down-to-earth Button's insistence three years ago that most of the group's staff—including himself—moved out of Jermyn Street into a faceless high tech box in Nine Elms, south London. The new office fits the Hicks image about as well as a filing cabinet matches a Chippendale table, but, says Button, it is cheap and efficient.

It is also one of the most important elements in Button's crusade to change David Hicks from a comfortable family occupation into a fast growing little business fit for public ownership. The process has seen a doubling in staff numbers to 62 over the past three years, while turnover has risen over the same period from £1.7m to £9.6m for the 12 months ending in December, when the group made a £750,000 pre-tax profit.

However, achieving that change of gear has not been easy for a company which since its formation had idled along with annual sales of between £1m and £1.5m. Personalities have been bruised: 11 staff left last year because, according to Button, "they felt they could not keep up." Meanwhile, Button has had to strike a delicate balance between expansion and not jeopardising the exclusive image which has permitted the business to survive.

The way in which David Hicks reached for growth could be instructive to the many small businesses which find it hard to get off an earnings plateau. For one thing, the management might never have withstood the strain of expansion if the two partners had not ensured that their responsibilities could not clash. "David doesn't know what a pound coin looks like and I keep out of design," says Button, nonchalantly leaning back in one of the Hicks reject chairs with which he furnishes his office.

Ironically it was the enormous success of the Jermyn Street showroom after its opening in 1977 (by Button's wife) that made Button realise that the group could not be run as a family business for ever. "Within months, £4m to £5m of business came off the street from passers-by. We spent so much time executing the work that we pushed the source of interest (the shop) aside. We were too busy to think about the future, so the shop became stale. As a result, the outside perception of us was that of a blue-haired ladies' decorator," says Button.

His solution was to hire a commercial manager and open a new business department, so that sales and operations were kept separate from design, allowing the creative team to get on with what they knew best.

The new commercial manager, Clifford Standen, had a hotel and catering background—appropriate in view of Button's feelings that the group needed to reduce its dependence on a fickle private market in favour of commercial property owners. Indeed, this was why David Hicks later sold 20 per cent of its shares for £600,000 to Ladbroke, the betting to property development group.

Ladbroke has not done badly out of its investment, which is valued at £1.2m in a private placing being arranged by stockbrokers Capel-Cure Myers. However, Button admits that the group has not picked up as much Ladbroke business as it hoped.

Until last March Button was in practice managing the non-design side of David Hicks alone. Fourteen managers reported to him and there was very little delegation. "That situation just couldn't go on if we were to grow," he recalls.

Accordingly, Button made all the managers personally responsible for the contracts in their care and added a carrot in the form of profit bonuses for all staff and an increase in salaries to above market average for the first time in the company's history. Delegation was made easier by the completion in early 1984 of a computerised accounting system, which allowed the group to estimate costs and profit margins on individual contracts in advance, thereby providing managers with easily recognisable targets.

"Under the old system, we didn't know what our profits were until the project was over. There was a tendency on our part to over-run on costs, which meant that we started off with large margins that gradually got whittled away," says Button. David Hicks depends on a small number of large contracts—only 12 last year—which take up to nine months to complete and arrive at erratic intervals. That means that cost estimating mistakes can have especially uncomfortable results, a risk which makes delegation doubly difficult.

Button cannot disclose how much individual clients spend, though by way of illustration a recent David Hicks refit for the Saudi Arabian royal yacht cost $1m in design fees alone.

Financing the costly materials for which Hicks is famous, long payment times for overseas projects (more than 80 per cent of last year's turnover), and the group's increasing exposure to institutional clients who do not put up large initial deposits so easily as private customers, have all put a growing strain on working capital requirements. Last year's borrowings peaked as a result to £1.3m, just over the group's £1.2m equity base. It is to eliminate that strain that the company is about to raise £1.5m in new money from the City in a private placing underwritten by Capel-Cure Myers.

A smaller but important part of Button's campaign to put David Hicks onto a more stable footing was his introduction a year ago of daily written contract reports. While small businesses are believed by many to thrive on a lack of bureaucracy, Button points out: "When the company gets to about 60 people, you cannot know what is going on in every area at all times. So if you can't do everything, you can at least read everything."

The Hicks redesign is not quite complete. Button would like to stand still further back from routine administration so that he can concentrate on strategic matters like the flotation and the acquisitions which he feels will be essential if David Hicks is to go on growing in its small and fragmented industry. Even so, he claims, "we now have a system where we can grow to £18m or £19m turnover without changing very much."

When the owners have to pull out

Robert Oakeshott on French family businesses

ALL TOO many small businesses across Europe face the risk of being broken up or sold when their owners retire.

Frequently, the original proprietors' families cannot or do not want to take management control. Even if they do, they face massive capital transfer tax bills in many countries, though Britain has moved recently to alleviate this problem.

Nowhere are small business succession problems more intensely felt than in France, where a Government study 18 months ago estimated that 65 per cent of the nation's small enterprises had no family successors. A tenth of all liquidations were due to failure to secure a smooth ownership transition, maintained the study.

A small but significant number of French businesses, however, have found a way to arrange trouble-free ownership transfers by making use of a range of tax concessions introduced two years ago to encourage management and employee buy-outs.

The measures also made it easier for French family businesses to hand themselves over to their workforces as co-operatives, ventures based in principle on democratic worker ownership and control. This unusual co-operative conversion technique has been used with varying degrees of success by around 75 companies between 1981 and 1983. Conversions are now running at around 20 annually in France.

Before the June 1984 tax concessions, family shareholders risked paying up to 100 per cent capital gains tax if they sold equity to employees at anything over book value. Now they face only modest tax bills for such disposals.

That change might seem insignificant in itself. But taken with the raft of existing profit sharing incentives and other favourable tax regulations for co-operatives, it means that it should be easier to turn a family-owned business into a co-operative in France than anywhere in Europe. CGS, the French industrial co-operative society, argues that such conversions spread ownership wider than management buy-outs, a more conventional way for family businesses to hand on control. They are also cheaper to arrange for outgoing owners and more likely to be permanent, claims CGS.

Although co-operative conversions are taking place on a very small scale in France, they happen more frequently than in any other European nation. In Britain, for instance, the Co-operative Development Agency handles at most half a dozen enquiries annually from family businesses considering a conversion. A negligible number actually takes place.

Evidence of the way these ventures perform after their transformation into co-operatives is thin. However, the experience of four converted French co-operatives, to be the subject of a study by Partnership Research, a British charitable research group, suggests that the continued involvement of at least some of the existing management is important to a smooth transition.

The least successful of the four is Chaussures Typ, a shoe maker in the western French town of Cholet, which has increased sales and employment since being sold to its 250 staff two years ago, but has seen productivity and profits fall. Revealingly, Bernard Chupin, the former proprietor, only went for a conversion after failing to find a conventional buyer. He continues to work as an unpaid part-time consultant for Chaussures Typ, but the day-to-day management is in the hands of a new chief executive recruited from outside.

The other three, a brickworks in the Cholet area, a Parisian architectural joiner and a decorator also based in the capital, have each managed to increase market share while the French construction industry has been declining. In each case, the top managers stayed with the company after conversion.

The smoothness with which these conversions were achieved has something to do with the fact that they were conditional on the support of employees and proprietors. They also show that co-operative conversions are beginning to be seen in France as a sensible solution to succession problems, rather than the eccentric technique they might appear to British eyes.

In the words of Pierre Berthe, chief executive of Menuiserie de Flandre, the joinery co-operative, the conversion made "une belle sortie," or a neat exit for the former owners.

The 1984 tax reforms have also galvanised the management buy-out market, where deals are running at around 30 annually—50 per cent more than co-op conversions—according to CGS. This has given rise to anxieties among the French co-operative movement that co-operative conversion might become entirely eclipsed by the growing fashion for management takeovers. But despite their fears, they take comfort in the belief that the French authorities have shown that they are fully alive to the succession problems of family businesses.

Robert Oakeshott is the executive director of Job Ownership Ltd, an independent consultancy for the promotion of employee ownership.

London host of Congress

SMALL businessmen will be given a chance to meet buyers, investors and financiers from all over the world at the International Small Business Congress this autumn.

The congress is to be held in London for the first time in its 13-year history and the organisers promise that it will have a more practical slant than is usual for international discussion forums.

Around 800 delegates are expected and speakers so far confirmed include Lord Young, the UK Employment Secretary, Hiroo Kinoshita, the small business director of Japan's Ministry for International Trade and Industry, and Viscount Etienne Davignon, former vice-president of the European Commission in charge of industrial affairs, energy and research.

Malcolm Baldrige, the US Commerce Secretary, will address the conference and answer questions via a satellite link with Washington.

At least half of each session will be devoted to questions from delegates. The main presentation from entrepreneurs from different nations will be supplemented by seminars on specialist subjects like public relations or training.

Coded lapel badges will identify delegates' special interests so that businessmen seeking customers, for instance, will be able to pick out big corporate buyers at a glance. Delegates will also be able to publicise their activities through standard poster presentation, which will be displayed throughout the conference centre.

The congress, underwritten by National Westminster Bank, is to be held from October 19 to 22 at the new Queen Elizabeth II Conference Centre in Westminster. Tickets cost £385, rising to £475 after August 11, from Conference Associates ISBC, 27a Medway Street, London SW1P 2BD.

In brief . . .

ONLY one in 40 shops established in Britain is likely to be trading in the same business seven years after start-up, according to Starting Up Shop, a booklet published by Glasgow Opportunities, the city's enterprise agency.

The agency commissioned the booklet from John Dawson, professor of distributive studies at the University of Stirling and Jack Benny, former small business lecturer at the Scottish Enterprise Foundation because it was concerned that a large number of its clients were eager to start as shopkeepers but ignorant of how to go about it. Copies cost £1 from Glasgow Opportunities, 7 West George Street, Glasgow G2 1EQ.

●

PRACTICAL Business Planning, published by Guardian Management Services, is designed for enterprises that have mastered the art of survival and are now hungry for growth.

The booklet is written for chief executives and describes how to set up the mechanism of business planning before working through a typical business case study showing the elements of planning that matter most. It costs £10 from Guardian Management Services, West End House, 11 Hills Place, London W1R 2AS.

●

THE NINTH annual Small Firms Policy and Research Conference is to be held at the Gleneagles Hotel from November 20-22, where it will be hosted by the Scottish Enterprise Foundation.

The conference offers participants the opportunity to present research findings to policy makers, practitioners and academics involved in supporting the small business sector. Tickets cost £115, and details can be obtained from Marcus Thompson, conference organiser, Scottish Enterprise Foundation, University of Stirling, Stirling, FK9 4LA, Scotland. Tel 0786 73171.

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Projected Sales for 1986 in excess of $1M.
Further additional products in final development.
Operating from Modern High-Tech Factory & Offices—Swindon.
Skilled technical team & management.
FOR SALE AS A GOING CONCERN
Full details from Ref: AJR/PJP
EDWARD SYMMONS & PARTNERS
56/62 Wilton Road, London SW1V 1DH
01-834 8454 Telex: 8954348
And at Manchester, Liverpool & Bristol

SPARTAN LEISURE LTD

(in receivership) trading as Pelicans Health and Fitness Club. For sale as a going concern, the assets and business of the above, comprising— leasehold premises in Newbury, Berkshire. Plant and equipment including up-to-date Nautilus Fitness Machines. Increasing membership of around 550. Sauna, Jacuzzi and Dance facilities.

Cork Gully

For further details, please contact: J. M. Iredale, Administrative Receiver, Phoenix House, Station Hill, Reading, Berkshire RG1 1UN. Tel: 0734 500336. Telex: 848686.

FOR SALE
Hire Purchase Portfolio
£6.5 Million plus receivables
good Geographic spread
principals only reply to:
Box H0761, Financial Times, 10 Cannon Street, London, EC4P 4BY

Micro Memory Systems Ltd
(in receivership)

Data storage equipment assembly and distribution business, Reading, Berkshire, for sale. Modern premises 18,400 square feet, new lease, excellent road communications, major OEM customer order book.
For further information, contact J. M. Iredale or J. F. Powell, joint administrative receivers at

Cork Gully

CORK GULLY
Phoenix House
Station Hill
Reading RG1 1UN
Tel: 0734 500336
Telex: 848686

AUTOMATIC CHROMIUM PLATERS

Situated in Yorkshire this company has not only a modern automatic chromium plating plant but also barrel plating and polishing facilities.
The modern purpose built building of 14000 sq ft on a site of 1.3 acres offers an opportunity for expansion if required.
Adequate low cost labour is available.
Net written down assets are £230,000 and the site, including the building, is available for either sale or lease. The first quarter of 1986 shows a positive cash flow.
The offer for sale is being made as the elderly owners are in the process of disinvesting their various businesses.
Accumulated tax losses of £130,000 are expected to be available.
Write Box H0750, Financial Times, 10 Cannon St. London EC4P 4BY

FOR SALE
HEAVY ENGINEERING COMPANY

A plc wishes to dispose of its Heavy Engineering subsidiary based in the North of England. Present turnover £5m with profits around £350K.
Principals only write to Box H0757, Financial Times
10 Cannon Street, London EC4P 4BY

Medical Company

Recently-formed medical capital equipment company requires further financing as the Company's product is now fully developed and ready for exploitation. Several overseas distributors have already been appointed and sales prospects appear good. Either all or a majority of the equity is available.
Replies in confidence to:
Jeffrey Boswell
38 Golden Lane, London EC1Y 0UA

PLANT HIRE COMPANY FOR SALE

Long established, successful, plant hire company situated East Midlands. Extensive modern fleet of fork lift trucks on both long contracts and casual hire, together with other small plant, operating from modern freehold premises.
Write Box H0761, Financial Times
10 Cannon Street, London EC4P 4BY

LEISURE RETAILING BUSINESS FOR SALE

Well established company with four shops in South of England enjoying a reputation as a leader in its specialist areas. Gross turnover £2.2m with significant profit contribution.
Principals only to apply. Write Box H0756,
Financial Times, 10 Cannon Street, London EC4P 4BY

ENGINEERING
SERVICES - MANUFACTURE - DISTRIBUTION
Excellent reputation and earnings. Located on sought after Enterprise Zone with substantial modern buildings and land for expansion. Strong asset base and reserves. Turnover circa £800,000. *Owner wishes to concentrate on other interests but would be* prepared to stay on for up to two years to ensure continuity.
Replies from principals only to:
HAYWOOD & CO
Carver House, 4 Carver Street, Sheffield S1 4FS

AN OPPORTUNITY TO PURCHASE
A HOME COUNTIES HOME IMPROVEMENT CENTRE
A well known, well run and well worth looking at family business. Established in 1967. 1985/86 T/o circa £480,000 and audited accounts will show at least 37 per cent G.P. This managed concern is very diverse and sells the whole spectrum of Home Improvement and D.I.Y. products.
Principals only should apply for further details to:
Alfred Tooke & Co.,
100a New Cavendish Street,
London W1M 7FA
01-631 5232

BUSINESS FOR SALE

* Essex-based steel fabricators
* Turnover £2m p.a.
* Valuable leasehold premises
* Order book

Enquiries (quoting Ref. L.279) to Joint Receivers and Managers:—

Derrick S. Woolf, FCA
and
David H. Gilbert, ACA
Levy Gee & Partners
100 Chalk Farm Road
London NW1 8EH
Tel: 01-267 4477
Telex: 27806

Levy Gee

FREEZER CENTRE/ SUPERMARKET
Excellent business for sale with £½m (half) *turnover*
Adjacent to discount furniture and cut-price concessionaires
Situated 500 yards from Junction 24 of the M6 motorway with parking space for 150 cars
Ideal opportunity for a company or individual seeking to capitalise on the potential early growth of the site, with multiple non-food concessionaires intending to develop 7 day trading
Long Lease available
Reply to:
Mr W. G. Fishwick
FISHWICK GROUP
Liverpool Road
Ashton-in-Makerfield
Wigan WN4 0YU
Tel: 0942 728621

PRIVATE COMPANY
Opportunity to purchase well established building and civil engineering contractors in the Channel Islands from sole owner. Annual average turnover in excess of £2½m. Good potential for expansion and future developments in the islands. Apply for full details, in confidence, to principal. *Write Box H 0754, Financial Times, 10 Cannon Street, London, EC4P 4BY.*

FOR SALE
SECURITY GUARDING COMPANY
Turnover approx £800,000
Operates: Surrey, Hampshire, Berkshire, London
Owners wish to explore other interests
Full management structure exists
Principal parties only write to Box H0758, Financial Times 10 Cannon Street, London EC4P 4BY

ADVERTISING AGENCY
Fully recognised advertising agency in northern England for sale. Estimated profit for 1985-86 *is £80,000* pre-tax.
The company is rich in cash and free of charges and moving to new offices in 1986.
Write Box H0766, Financial Times, 10 Cannon Street London EC4P 4BY.

PROFITABLE PRINTING COMPANY
NORTH LONDON
Turnover £1.2 million
Modern Plant & Machinery
Leasehold Premises
Principals only apply to Box H0768, Financial Times, 10 Cannon Street London EC4P 4BY

UNIQUE OPPORTUNITY
to acquire a progressive and well established
BUILDING COMPANY
in select South London district
Turnover 1m pa
On-going contracts 3m pa
Currently turning away lucrative business
Excellent staff and premises
Owner retiring
Tel: 098-387 2438 pm

FOR SALE
PROFITABLE PRIVATE COMPANY
TURNOVER APPROACHING £1m
BASED SOUTHERN COUNTIES
Specialists in the sale and service of a wide range of industrial and DIY portable tools, accessories, fixings and stationery equipment
Long established in the on-site workshop repair of all electrically powered machinery
Genuine reasons for sale
Serious inquiries from principals only to Box H0762, Financial Times 10 Cannon St, London EC4P 4BY

FOR SALE
30 bed Nursing Home Derbyshire
This valuable business including a freehold substantial stone property is offered for sale at £420,000. Last year's T/O £260,000. Potential to increase by a further 20/25 beds subject to consents. Will only suit institutional or substantial private investor.
Write Box H.0765, Financial Times, 10, Cannon Street, London EC4P 4BY.

FOR SALE
A company supplying offices etc with plants, on a sale, maintenance and rental basis.
Pre-tax profit about £100,000.
Significant growth potential.
Interested parties should write to:
SINGER & FRIEDLANDER LIMITED
(Ref. MR 542)
21 New Street, Bishopsgate
London EC2M 4HR

LONDON
JANITORIAL CHEMICAL FACTORY
(fully equipped)
TO LET
Own label or joint venture welcome
01-986 7221

5351 (daytime).

THE BEST POST OFFICE/NEWSAGENCY. East Anglia? P.O. Salary £17,000 p.a. T/O £350,000 ex VAT. £70,000 gross profit. Wholesale newsbill £1,000 weekly. Fantastic 2,500 sq. ft. shop, warehouse. Detached 4 bed house. Customer parking. Fabulous business. Price offers in excess of £310,000 Freehold, SAV. Ref: 6366ST. Christie & Co., 16 Lower Brook Street, Ipswich. Tel: (0473) 56588/54356.

FOR SALE
Superb small company based in London, in highly profitable service industry. Good forward order book, well managed, market leader in its field, would suit private or corporate investor. £78,000.
Details Box H0752, Financial Times 10 Cannon St. London EC4 P4BY

Business For Sale

Spacious Showrooms
South Manchester

* Prime freehold location – main road site
* Car showroom 2,389 sq. ft.
* Fully equipped repair workshop
* Ford parts stock
* Separate long leasehold body repair workshop
* Ford Motor Company will grant a retail dealer franchise to suitable purchasers

For sale by the Joint Receivers of Barrow Motor Company Limited.

For further details please contact:

Philip Ramsbottom or John Dixon
Peat, Marwick, Mitchell & Co.
Century House
7 Tib Lane
Manchester M2 6DS
Telephone: (061) 832 4221, Telex: 668265

PEAT MARWICK

UNIQUE OPPORTUNITY

To exploit the rapidly growing public interest in the share market

FOR SALE SMALL PUBLISHING COMPANY SPECIALISING IN EDUCATIONAL SERVICES FOR THE PRIVATE INVESTOR

Full or part ownership

Principals only please write to Box H0777, Financial Times 10 Cannon St, London EC4P 4BY

FOR SALE FITTED KITCHEN COMPANY

Very Profitable
Ongoing Management
Facilities include Mftr., retail and Installation

Write Box H0770, Financial Times 10 Cannon St, London EC4P 4BY

FROZEN FOOD CATERING WHOLESALER

Turnover £1 million

Write Box H0774 Financial Times 10 Cannon Street London EC4P 4BY

BUSINESS FOR SALE

Important West Midlands Engineering and Pressings Company for sale as a going concern. Turnover average £1m. Strong customer base. Substantial Freehold modern premises (72,000 square feet) occupying prime site, near Motorway network and N.E.C.

All enquiries in strictest confidence. Write Box H.0775, Financial Times, 10, Cannon Street, London EC4P 4BY.

EMPLOYMENT AGENCY

Excellent spread of offices and clients between Oxford and Aberdeen. Turnover £2.5m and very profitable business growing rapidly

Industrial/Commercial/Technical
London owner retiring abroad

Write Box H0772, Financial Times 10 Cannon St, London EC4P 4BY

FOR SALE

EEC approved, purpose-built, licensed
POULTRY ABATTOIR
in the West Midlands Area
Offers invited

Please reply to Box H0776, Financial Times 10 Cannon St, London EC4P 4BY

COMPUTER COMMUNICATIONS CO.

Purchaser (£55,000) for Computer/Communications Business. Thames Valley area

Write Box H0771, Financial Times 10 Cannon St, London EC4P 4BY

Hotels and Licensed Premises

AWARD-WINNING RESTAURANT/BRASSERIE AND WINE BAR

in residential area, close to City of London and entertainment facilities
Seeks a financial partner to provide equity for further development

Interested parties (principals only) should apply to:
Glazers, 843 Finchley Rd, NW11 8NA

FREEHOLD HOTEL FOR SALE LONDON, WEST END

90 ROOMS
PRICE £4.1 million
Only principals and retained agents

Apply for details to: Box H0730, Financial Times 10 Cannon St, London EC4P 4BY

International

FOR SALE: as going concern

Peat moss factory

WITH APPROX. 500 ACRES MOORLAND
Comprehensive modern machinery
Situated in Republic of Ireland.

Fa. Riesselmann und Sohn
z. Hd Herrn Franz Riesselmann
Postfach 1440, D-2842 Lohne, W. Germany.

HEALTH AND BEAUTY AID WHOLESALER FOR SALE

Large U.S. - East Coast HBA wholesaler is for sale
Excellent management in place
Sales: $65m
Net profits: $4m
Net worth $14m
We are looking for $15m

Send recent financial report with your product literature to Box H0753, Financial Times 10 Cannon St, London EC4P 4BY

TWO GOURMET RESTAURANTS

Urban and resort locations

Cape Cod/Boston area, perfect location, authentic, mint condition restoration, most famous restaurant in entire area. Real Estate and Business $1.2m. Manhattan (leasehold 13 yrs.), Upper East Side location, designer award interior, critically acclaimed cuisine, $600,000.

Sold separately or as package. Respond in confidence to:
J. M. Burke, 323 East 78th Street New York, NY 10021

Businesses Wanted

IS THIS YOUR BUSINESS?

1. Privately owned company or group.
2. A good profit record which has reached at least £100,000 pre-tax per annum.
3. Shareholding managers who want to realise their investment but continue to manage and share in the future prosperity whilst having access to a larger group's resources.

If so, a medium-sized U.K. public company committed to expansion both by acquisition and internally would like to hear from you. Please write to us through our advisers:
Ref. MAG77, Messrs. Kidsons, Chartered Accountants
Bank House, 8 Cherry Street, Birmingham B2 5AD

CITY OF CHESTER

Investor seeks acquisition in this area during 1987. £½ million available for profitable enterprise of low labour content and long term potential.

Reply in strict confidence to Box H0750, Financial Times 10 Cannon Street, London EC4P 4BY

WANTED

Rapidly growing UK company with turnover of £300m plus seeks imports, importers, distributors and/or wholesalers of garden, gardening, camping and outdoor leisure products, furniture, equipment or hobby related.

The company is willing to acquire, set up companies or act as UK agent for any of the above products which fits its rapid expansion strategy

Please write in confidence to Box H0767 Financial Times, 10 Cannon Street, London EC4P 4BY

Company Notices

GENERALE
SOCIETE GENERALE DE BELGIQUE
GENERALE MAATSCHAPPIJ VAN BELGIË
Public Limited Company

Incorporated in Brussels by Royal Decree on 28 August 1822. Registered Office: 30 rue Royale, 1000 Brussels. Trade Register Number: Brussels 17,487.

[illegible]

In Belgium: Générale Bank
In France: Générale de Banque Belge (France)
In Luxembourg: Banque Générale du Luxembourg
In the UK: Banque Belge Ltd.
In Switzerland: Credit Suisse
Société de Banque Suisse
Union de Banques Suisses

J. de FAUCONVAL, Director-Secretary
R. LAMY, Governor

Brussels, 15 April 1986.
First official notice will be published on 15 April 1986 (in the Belgian Official Gazette on 15 April 1986).

FRIENDS' PROVIDENT LIFE OFFICE

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND FIFTY-THIRD ANNUAL GENERAL MEETING OF MEMBERS is appointed to be held at GLAZIERS' HALL, 9, MONTAGUE CLOSE, LONDON BRIDGE, LONDON, SE1 9DD, ON WEDNESDAY, 7TH MAY 1986, at 2.30 p.m.

1. To receive the accounts for the year ended 31st December 1985 and the reports of the Directors and Auditors thereon.
2. To elect Directors
3. To appoint Auditors and determine the basis of fixing their remuneration.
4. To propose, as special business, that the limit on the aggregate amount of the remuneration of the Directors be increased.

A Member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his behalf and such proxy need not also be a Member of the Office. The instrument appointing a proxy, a specimen of which is set out in Rule 30 of the Rules of the Office, must be deposited at Pixham End, Dorking, Surrey, RH4 1QA, at least forty-eight hours before the time of the meeting. Proxy forms may be obtained on application to the Secretary.

Members intending to attend and vote personally at the meeting should be prepared to quote their policy numbers.

By Order of the Directors,
B. W. SWEETLAND, Secretary.

NOTE: A copy of the Annual Report and Accounts will be forwarded to any Member who makes application for one to the under-mentioned address:

FRIENDS' PROVIDENT LIFE OFFICE Pixham End, Dorking, Surrey, RH4 1QA

NOTIFICATION TO BONDHOLDERS
COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN
FF 500,000,000
7¼% CONVERTIBLE BONDS DUE 2000

Michelin hereby gives notice that it will increase its capital by:

1. An issue bearing preferential rights to holders of its outstanding shares to subscribe for additional shares:
   —Subscription price: FF 2,000
   —Right to dividend: January 1, 1986
   —Preferential right: 1 additional share for 10 outstanding shares
   —Subscription period: April 28 to June 4, 1986
2. And by distribution of additional shares paid up by incorporation of reserves:
   —Parity: 1 additional share for 8 outstanding shares and/or newly subscribed and fully paid shares as stated above
   —Right to dividend: January 1, 1986

As a result of these two issues of shares, the conversion rate applicable to its 7¼% Convertible Bonds due 2000 will be adjusted pursuant to condition 6 (H) of the Bonds.

Bondholders willing to convert in order to participate in the transaction should deposit their Bonds with a duly completed and signed notice of conversion at the office of the conversion agent:

Banque Internationale à Luxembourg S.A.
2, Boulevard Royal
Luxembourg
Tel: (352) 47911
Telex: 3626

prior to April 16, 1986 (12.00 a.m.).

After this date, a new conversion rate taking into account the above mentioned adjustment and to be fixed at the end of the subscription period, will apply to the Bonds.

NOTICE OF MEETING
TIME ASSURANCE SOCIETY
Registered Office:
80 Union Street, Oldham
Greater Manchester

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the above Society will be held at the Registered Office on Wednesday, 30th April 1986 at 12 noon.

AGENDA

1. To approve the Minutes of the last Annual General Meeting held on 26th April 1985 and to consider matters arising therefrom.
2. To elect a new Chairman.
3. To receive and adopt the Report of the Committee of Management and the Accounts for the year ended 31st December 1985.
4. To receive and adopt the Report and recommendations contained in the Actuarial Valuation as at 31st December 1985.
5. To elect members to the Committee of Management.
6. To re-appoint auditors and authorise the Committee of Management to fix their remuneration. The present auditors are Peat, Marwick, Mitchell and Company.
7. To conduct any other business permitted by the Rules of the Society.

D. R. REES (Secretary)

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN FUJITSU LIMITED

NOTICE IS GIVEN that at a Meeting of the Board of Directors of Fujitsu Limited held on 27th February 1986 it was RESOLVED that a free distribution of Shares be made to Shareholders in the ratio of 0.08 Share for each Common Share of Y50 each (8 New for each 100 Old) as of record 31st March 1986. All New Shares not aggregating 1,000 Shares or a multiple thereof will be sold and the proceeds distributed to Shareholders at an amount per share to be announced at a later date.

Furthermore it has been declared that the shares will be traded ex-Rights on the Tokyo Stock Exchange with effect from 27th March 1986.

Coupon No. 13 will be used for the collection of Free Shares which may be collected on or after 20th May 1986, from the Depositary.

KLEINWORT, BENSON LIMITED
LONDON
Depositary

THE NORTH CAUCASIAN OIL FIELDS, LIMITED

THE NORTH CAUCASIAN OIL FIELDS, LIMITED informs the holders of its bearer shares that a cash offer has been made for the entire issued share capital of the Company by Topino Limited (Licensed Dealer in Securities) on behalf of Leisure Investments (Overseas) Limited. Information concerning the Offer (and copies of the offer document) may be obtained from Topino Limited (01-637 4882).

An extraordinary general meeting of the Company will be held on 2nd May, 1986 to approve the terms of an arrangement relating to compensation which may be received in respect of the Company's expropriated Russian interests.

Information concerning the meeting may be obtained from:
The Secretary,
4 York Road, London SE1 7NA
Tel: 01-934 6242

THE ROWLANDSON ORGANISATION

requires additional outlets in the following trades in the Midlands and the South:
Convenience Stores/CTNs/Card and Gift Shops; Motor Dealers—any marque; Crash Repairs Specialists; Undertakers; Hire-Purchase/Leasing Companies; Insurance Brokers; Estate Agents.

FREEHOLD AND LEASEHOLD PROPERTIES WILL BE CONSIDERED ADEQUATE FUNDS AVAILABLE

Please reply to:
The Chief Executive
Rowlandson Organisation
Boundary House
91/3 Charterhouse Street,
London EC1M 6HR
01-253 0101 or 0277 210989

MAJOR FIRM

Involved in insurance broking, life assurance, unit trust advisory services, pensions and benefit consultancy, seeks acquisitions Commission/fee income between £250,000 and £5m pa considered

Write Box G10280, Financial Times 10 Cannon St, London EC4P 4BY

RETAIL TRAVEL AGENCIES

A leading company already well-established in the Travel Trade wishes to acquire one or more outlets in the retail trade. The business should preferably be based in East Anglia and be well established.

All replies will be treated in the strictest confidence.
Write Box H.0764, Financial Times, 10, Cannon Street, London EC4P 4BY.

MEAT

Processing/packaging company or plant sought.
Plant size: minimum 20,000 sq. ft.
Location: South East Midlands or Home Counties North.

Write Box H0773, Financial Times 10 Cannon St, London EC4P 4BY

WANTED

to purchase NUT & BOLT Stockist or Manufacturer within 50 mile radius of Birmingham, other locations also considered.

Please reply in strictest confidence to Box H0763, Financial Times 10 Cannon St, London EC4P 4BY

Legal Notices

MUFFLERS EXHAUST CENTRES LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act 1985 that a Meeting of the Creditors of Mufflers Exhaust Centres Limited, will be held at the offices of Leonard Curtis and Partners, 3rd Floor, Peter House, Oxford Street, Manchester M1 5AB, on Friday the 18th day of April 1986 at 10.00 o'clock in the forenoon, for the purposes provided for in Section 589 and 590.

Dated the 3rd day of April 1986,
D. SPEAKMAN,
Director.

APPOINTMENTS

New Inchcape chairman

Mr George Turnbull, group managing director and chief executive, will succeed Sir David Orr as chairman of INCHCAPE after the annual meeting in June. Sir David will become deputy chairman. Sir Eric Norris will relinquish his appointment as deputy chairman but will remain on the board. Mr Gil Holdsworth will retire at his own request in September, after more than 36 years with Dodwell & Co and the Inchcape Group. Sir Edward Studd will retire from the board in June, but will continue to serve as a consultant until the end of 1986. Mr Colin Armstrong, chief executive of the group's South American interests, will be appointed to the board in June.

★

Mr Courtney Hayden has joined the board of ARLINGTON PROPERTY SERVICES. Formerly with Commercial Union Properties, Mr Hayden has also been with Laing and Wimpey and will act as a projects director for Arlington's business parks.

★

Mr Findlay Caldwell has joined HALFORDS as buying, merchandising, marketing and development director. He was with Harris Queensway Ultimate, where he was marketing controller.

★

Dr Ian Dewis has been appointed associate director of telecommunications with BUTLER COX & PARTNERS. He was manager of telecommunications for BP International.

★

Mr John Salisse, who retired last year as a main board director of Marks & Spencer, has joined the board of ALLIED INTERNATIONAL DESIGNERS as a non-executive director.

★

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY has appointed Mr M. D. Ross, a joint actuary, as an assistant general manager.

★

BODDINGTONS' BREWERIES has appointed Mr Neil Kerr as assistant managing director from April 21.

★

Mr Phillip Wood is retiring as a partner of GRIEVESON GRANT AND CO, London stockbrokers. Mr Wood joined Grieveson Grant in 1959, and for many years has been senior Gilt-edged dealer.

★

PETRANOL has appointed Dr Norman A. White chairman of its board. Dr White became associated with the company in June 1985, joined the board in September and was appointed chairman of the executive committee in December, a post he will continue to hold as well as board chairman. Mr Kenneth F. Dibben joins the board as a non-executive director. Mr Dibben will be chairman of the audit and remuneration committee. Mr C. J. Smith, the past chairman, will continue to serve on the board as a non-executive director.

★

Mr Stuart Heap and Mr Rob Stirling have been appointed directors of BELL & HOWELL LTD, the European subsidiary of the Bell & Howell Co based in Chicago. Mr Heap takes over as managing director of the visual communications division from Dr Derek Hopes who remains a director and chairman of Bell & Howell A-V. He will continue to be responsible for strategy and development of new businesses and activities. Mr Stirling becomes managing director of the newly formed mail-handling division. Mr Richard Austin, a director of Bell & Howell Ltd, will concentrate on the micro-imagery business as managing director of the micro-imagery division. He will also work closely with Mr Jim Donaldson, chairman, on European corporate affairs.

★

MOWLEM PROPERTY DEVELOPMENTS has appointed Mr Norman Hanson a director. He has particular responsibility for construction work.

★

THE BLUE ARROW GROUP has made Mr Michael Crosswell managing director of the Blue Arrow Employment Group. Mr Crosswell was formerly managing director of Blue Arrow Personnel Services.

★

Mr Alan Plumpton has been appointed a director of SCHLUMBERGER MEASUREMENT AND CONTROL (UK). He was deputy chairman of the Electricity Council and chairman of the London Electricity Board.

★

Mr Euan Russell has been appointed conference and exhibition sales director for the BARBICAN CENTRE. He succeeds Ms Patricia Coulbear who has become business development director at Conference Co-ordinators.

★

Mr A. B. R. Cheek has been appointed deputy managing director of HOWDEN GROUP, with responsibility for financial administration in addition to products and markets. He will continue as managing director of James Howden Group. Mr J. N. Allison, managing director of James Howden and Co, has joined the board of Howden Group.

★

HAVANA INTERNATIONAL BANK has appointed Mr Paul F. Toledo as managing director as replacement for Mr Miguel A. Lopez who has been appointed deputy chairman.

★

HOFFMAN AND CO and THORNWOOD TIMBER SALES have appointed Mr Michael Loughlin and Mr Mark Hearn executive director of both companies. Mr Loughlin and Mr Hearn previously held sales management posts in the Meyer International organisation.

★

Mr Ray King has been appointed deputy managing director of MANDERS industrial coatings division.

★

Following the merger between Green Whitley and DAVENPORTS BREWERY (HOLDINGS), three Greenall Whitley directors, Mr C. J. B. Hatton, Mr A. G. Thomas and Mr E. Whitley, have been appointed to the board of Davenports. Three non-executive directors, Mr C. H. Tidbury, Mr J. F. Vernon and Mr G. R. Willcox have resigned from the board.

★

GEORGE MILLER UNDERWRITING AGENCIES has appointed Mr L. C. Taylor, Mr G. E. Watts, Mr D. N. Broderick and Mr J. E. Digby directors.

★

Mr Bernard Barnett has been appointed European managing director of I. P. SHARP ASSOCIATES. He previously spent 10 years with Interactive Data Corporation / Chase Econometrics (IDC), where he was vice president Europe.

★

Mr Paul D. Williams, formerly of Whittingham Property, has joined EMBASSY DEVELOPMENTS as a director, responsible for the promoting and letting of the existing properties.

★

Six senior executives at BURSON - MARSTELLER UK have been promoted to the board: Mr Jem Miller, managing director of Burson-Marsteller Financial; Mr John Birch, human resources director; Mr Tim Foster, creative director; Mr John Fowler, research director; Ms Jane Lyons, group manager and Mr Bill Quirke, director of employee communications.

GOLD FIELDS COAL LIMITED

(Formerly The Clydesdale (Transvaal) Collieries Limited)
(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP
(Registration No. 01/01124/06)

ISSUED CAPITAL: 16,862,721 shares of 50 cents each

	Quarter ended 31 March 1986	Quarter ended 31 December 1985 (see note 2)
OPERATING RESULTS (tons 000)		
Total mined	2,781	
Tons sold	2,290	
FINANCIAL RESULTS (R000)		
Sales and other revenue	52,690	
Cost of sales	39,004	
Profit before tax	13,686	
Tax	6,662	
PROFIT AFTER TAX	7,024	
Capital expenditure	2,627	

NOTES:

1. **Merger of the Operations of Apex and Clydesdale.** The Scheme of Arrangement for the merger of Apex and Clydesdale was approved at general meetings of shareholders of both companies held on 5 March 1986, and was subsequently sanctioned by the Supreme Court (Witwatersrand Local Division). The merger was implemented on 17 March 1986, the day on which Clydesdale changed its name to Gold Fields Coal Limited and the listing of the new Gold Fields Coal shares commenced on the Johannesburg and London Stock Exchanges.
2. **Presentation.** Apex and Clydesdale operated as separate companies in respect of the quarter ended 31 December 1985. Accordingly the figures in respect of that quarter have not been shown as they are not comparable.
3. **Capital Expenditure.** The unexpended balance of authorised capital expenditure at 31 March 1986 was R10.2 million, which includes estimates authorised for 1986.
4. **Dividends.** Dividends (No. 159) of 300 cents per share and (No. 145) of 75 cents per share declared on 3 December by Apex and Clydesdale respectively, were paid to members on 12 February 1986.
5. **Escom – Coalbrook.** The contract in terms of which Coalbrook supplies coal to Escom's Taaibos power station, which was due to expire in 1986, has been extended to expire in 1989, at the same time as its Highveld power station contract expires.

On behalf of the Board,
A. M. D. GNODDE
M. R. FULLER-GOOD } Directors

14 April 1986

Notice to the Holders of FIRST CHICAGO CORPORATION Floating Rate Subordinated Notes Due 1992

NOTICE IS HEREBY GIVEN to the owners of First Chicago Corporation Floating Rate Subordinated Notes Due 1992 (the "Notes") of the appointment of an additional paying agency for the Notes:

SWISS BANK CORPORATION
1, Aeschenvorstadt
Basle, SWITZERLAND CH-4002

The appointment becomes effective commencing with the next interest payment date for the Notes, May 19, 1986.

THE FIRST NATIONAL BANK OF CHICAGO
as Fiscal Agent for
First Chicago Corporation

Dated: April 15, 1986

UK COMPANY NEWS

David Goodhart on Evered's takeover approach to McKechnie

Testing time for the Abdullahs

AS THE takeover merry-go-round in the engineering sector turns once more it is difficult not to feel sorry for Dr Jim Butler, the chairman of McKechnie Brothers.

No sooner had he wiped the sweat from his brow after narrowly escaping the fast-growing and highly regarded Williams Holdings than knocking on the door comes the similar Evered Holdings.

"This is tiresome to say the least," said Dr Butler.

But it is his fate to be running one of the three medium-sized engineering companies which for the last two years have been leading the hit-lists of the smaller but hungrier industrial holding companies.

The other two on the list are Pegler-Hattersley and TI. Pegler, coincidentally, has joint holdings with McKechnie in South Africa, Australia and New Zealand and following the hostile bid for it last week from F H Tomkins — another of the rising stars — there has been talk of a Pegler-McKechnie merger to try to shrug off the parvenus.

The much larger TI has in recent years been looked over but rejected by most of the big buyers like BTR and it was left to Evered to take half a shot at it last August when it acquired a 20 per cent stake.

Having discovered that TI was a little over-ambitious Mr Raschid and Osman Abdullah have plumped for McKechnie—although there was some talk yesterday that if they succeeded with McKechnie they may go on to aim a weightier punch at the bicycles to cookers group.

Most analysts are congratulating Evered on the timing of its bid. The argument runs thus: McKechnie was lucky to escape from Williams on a technicality when Williams made it a condition of its bid that McKechnie shareholders reject their board's earlier bid for Newman Tonks.

Mr Raschid Abdullah (left), chairman, and Mr Osman Abdullah, vice-chairman of Evered

The offer for Newman was seen in part as a defensive "poison pill."

Shareholders voted in favour of an offer for Newman Tonks but some believed, wrongly, that they could still support a Williams take-over. McKechnie then—in some eyes—failed to make a serious improved offer for Newman "which lost its credibility," according to one analyst. Despite the talk of a Pegler deal it looks as if McKechnie's defences are down and that there is no realistic "poison pill" option.

That is obviously not how Dr Butler (a Dr of metallurgy) sees it. "We're not in business to make macho bids and ram the dilution down the throats of our shareholders," he says.

He did, however, accept during the first Williams assault that recent growth has not been exciting (1983 pre-tax profit of £11.5m on turnover of £158m, 1984 £15.2m on £203m and 1985 £16.6m on £222m) but says they have recently been doing the right things—in particular shifting from metals and chemicals into plastics and consumer goods.

To Evered's specific claim that the steel and chemicals division made no profit on a £35m turnover he replies that virtually the whole of the chemicals division has now been shut down.

Although engineering analysts such as Mr Rob Golding, of Quilter Goodison, accept that Dr Butler has indeed taken most of the right decisions lately, the results have continued to leave the company vulnerable.

The Abdullah brothers point to a rise in McKechnie's margins from 6.7 per cent to 7.3 per cent over the past five years compared with their own 1 per cent a year rise over the past three years taking their average to 8.2 per cent. Dr Butler argues that margin comparison in different lines is not fair.

Evered makes no claims for industrial or product synergy from a merger — beyond the fact that it knows the overall sector well. Mr Raschid Abdullah does claim to see management synergy—i.e. we are better managers than you.

The record of growth at Evered has indeed been impressive although it is still regarded in the City with a little more suspicion than Williams or F. H. Tomkins—suspicions which the tilt at TI has either calmed or fuelled depending on who you talk to.

Evered clearly feels it has to get a big bid in before the bull market turns sour and last week's results — profits up to £7.87m on turnover of £99.6m—are a sound base.

The bid will be an excellent test of just what the market does think of the Abdullahs. They have made an all-paper offer which they don't appear to want to increase much (if at all) and are also reluctant to bear the cost of a cash alternative. They are standing on their record and saying "take it or leave it." The current betting is that they will have the upper hand.

There is, however, one sting in the tail. By making their bid the Abdullahs have released Williams from the previous commitment not to bid for McKechnie for another year.

However the balance of probability is that it will leave Evered with a clear run.

As one merchant banker put it: "There is enough for all the fast-movers at the moment without them treading on each other's toes."

See Lex

STC chief executive's £0.75m paper profit

By Lionel Barber

MR ARTHUR WALSH, chief executive of STC, the telecommunications group, holds a paper profit of more than £750,000 on share options granted when he was appointed to rescue the company last September.

Mr Walsh, formerly with GEC Marconi, was offered 1m shares exercisable at 83p. STC closed last night at 158p, down 2p.

In the year to last December, STC made a pre-tax loss of £11.4m (£141m profits) on £2bn (£1.96bn) sales.

Despite last year's loss, nine STC directors earned more than £100,000, according to last year's annual report. One director earned between £185,000 and £190,000. Sir Kenneth Corfield, who resigned as chairman and chief executive last August, earned £232,000 up to that date; he was paid a further £66,000 for the rest of the year.

In addition, Sir Kenneth was paid a total of £162,521 for a five-month period to January 1986, following his resignation. The measures were approved at an extraordinary general meeting of shareholders last September but only after a count of proxies. Lord Keith, the present non-executive chairman, started a review of top salaries at the time.

Mr Edward Newman was paid a £120,000 golden handshake after his forced resignation. A further £50,000 was paid to Wilmot Enterprises, a company owned by Dr Rob Wilmot, formerly chief executive of ICL

The annual report also reveals that 76 STC employees (not including directors) earned more than £50,000 in 1985. One employee earned between £220,000 and £225,000.

Mr Mike Copeland, a spokesman for STC, said yesterday that the high salaries were not out of line with wages and bonuses paid to computer salesmen. He added that the total wage bill for directors was likely to fall this year following cost-cutting by the new management led by Lord Keith.

Hanson closer to victory as Imps recommends bid

BY MARTIN DICKSON

Hanson Trust yesterday moved closer to formally clinching victory in the £2.6bn takeover battle for Imperial Group when the board of the tobacco, brewing business recommended shareholders to accept Hanson's terms.

The recommendation followed the failure last Friday of United Biscuit's rival, agreed, bid for Imperial and a meeting yesterday morning between Lord Hanson, chairman of Hanson Trust, and Mr Geoffrey Kent, chairman of Imperial.

Hanson said it now spoke for 44 per cent of Imperial's shares.

Meanwhile, United Biscuits yesterday placed its 14.9 per cent stake in Imperial at a price of 338p a share, raising £383.2m. The shares were bought during the battle for £367m. That leaves United with a profit of £16m, while it has also received some £7.5m net (£11m gross) of dividend income.

The company said yesterday that this would cover all the underwriting and other costs of mounting the bid and still leave a modest profit. This is believed likely to total £4m to £5m.

The shares were placed with a variety of institutions by brokers Wood Mackenzie and Rowe & Pitman.

The Imperial board recommended acceptance of the Hanson offer after receiving assurances about the rights of employees and pensioners. Hanson has also agreed to drop defamation cases against Imperial, its directors and advertising agency which were prompted by attacks by Imperial on Hanson during the course of the battle.

Discussions have begun between Imperial and Hanson on the future management structure and policies of Imperial. It has been agreed that Hanson representatives will join the board of Imperial as soon as Hanson's offer goes unconditional.

The Hanson offer has been extended until this Friday, April 18. Hanson shares closed at 177p, down 8p. Imperial at 345p, down 18p, and United at 265p, down 1p.

Meanwhile, speculation continued that United Biscuits might wish to buy some of Imperial's food interests, should Hanson decide to dispose of any. However, Hanson has said in the past that it would take no decisions on the future of Imperial until it had had a chance to examine the business in detail with its line managers.

Connells' cash call for £6.6m

BY ALICE RAWSTHORN

THE ESTATE agents, Connells, which unveiled a 26 per cent increase in pre-tax profits to £2.2m yesterday, has joined the queue of companies asking the market for capital through a rights issue for £6.6m to fund further expansion.

Connells already operates a chain of 42 residential estate agents in the areas to the north and south of London, but is eager to expand into the east and west of the city by acquiring privately owned chains of estate agents.

Although most of the capital raised will be channelled into its residential network, Connells also plans to augment its commercial property interests, which were expanded by the acquisition of Collier and Madge, the City based surveyors and property consultancy, last July.

"At the moment we have no specific projects in mind," said Mr John Simson, Connells' chairman. "But we are looking at a wide range of opportunities and at least one major acquisition will be completed in the current financial year."

The issue will release 3.3m ordinary shares for 205p each on a one-for-four basis. The Constantine family, which founded the company and has held 60 per cent of its equity since the flotation, will dilute its holding to 50 per cent after the rights issue.

Connells began 1985 in a sluggish state, as did the rest of the property sector. As the year wore on demand for residential property increased and although the commercial sector remained stable, its commercial division—buoyed by the first contribution from Collier and Madge—surpassed profit expectations.

In the year to December 31 Connells' turnover rose by 30 per cent to £7.8m. The dividend was also increased to 4.2p per ordinary share. The company's share price fell by 5p to 240p yesterday.

● **comment**

Rising disposable incomes and falling interest rates have stimulated demand for property, at a time when the rapidly expanding mortgage market has made money available to buy it. The affluent south east should be the chief beneficiary of the property boom and Connells, having ploughed the proceeds of its rights issue into further expansion in and around London, should make the most of it. But competition is intensifying among estate agents. Connells has sharpened its marketing tactics over the years but so have its competitors. And a stream of newcomers, from Lloyds Bank to Debenhams' department stores, are muscling into the market. The commercial sector is as sluggish as ever. Nonetheless the City expects profits of £3.3m and a p/e of 19.5 in 1986. The increasingly competitive mortgage market means that financial services are not quite the cornucopia that estate agents once thought. Although in the long term Connells envisages further expansion into "peripheral" services, such as conveyancing.

Extel skirmishing intensifies

BY CHARLES BATCHELOR

SKIRMISHING over the unusual £170m takeover bid for **Extel**, the business and sporting information group, from **Demerger Corporation** intensified yesterday.

Ifincorp, Earl, the small corporate finance house which is advising Demerger, complained to Kleinwort Benson, Extel's merchant bank, and to the Takeover Panel about "unjustifiable slurs and innuendo" contained in Extel's weekend defence circular.

Ifincorp denied that its revised offer document contained errors and inaccuracies as claimed by Extel and it reaffirmed that its cash alternative was fully underwritten.

Ifincorp has complained verbally to the Takeover Panel and is subbmitting a formal complaint in writing.

Kleinwort responded that it stood by everything in its document.

Extel's shares fell 5p yesterday to 390p,

Lonrho disposal

Lonrho, the industrial, mining and agricultural group, has sold a portfolio of UK commercial, industrial and residential property for £53m in cash to Samuel Properties. The proceeds—which are in excess of book value—would be used to invest in higher-yielding businesses.

Mr Paul Spicer, a Lonrho director, said many of the properties were small flats scattered around the country

Dewhirst lifts growth to 32%

I. J. Dewhirst Holdings, which has Marks and Spencer as its major customer, has accelerated its growth rate to 32 per cent in the year ended January 17 1986, with pre-tax profit advancing from £4m to £5.3m.

The directors describe the year as one of further successful growth in competitive trading conditions. By close co-operation with Marks and Spencer, for which it produces men's suits, casuals, and shirts, and children's shirts and blouses, and a successful entry into the American market, the profit margins have virtually been maintained.

For the first half of the current year they are looking forward to continued growth in sales and profits.

The dividend for 1985-86 is raised from the equivalent of 0.92p to 1.1p net, with a final of 0.82p. There is to be the usual scrip issue, again on a 1-for-5 basis to holders registered May 14.

Turnover in the year advanced 34 per cent to £57.57m while the operating profit rose 32 per cent, from £3.74m to £4.94m. After tax £1.81m (£1.36m) the net profit comes to £3.5m (£2.64m) for earnings of 5.69p (4.28p) per share.

● **comment**

An exceptionally buoyant second half at I. J. Dewhirst, with both sales and profits up by 38 per cent, prompted an 8p rise to 100p yesterday in a weak market. The surge in the closing months owed much to the success of M and S, which takes the bulk of group output, but also, to an extent, J. C. Penny's Best of British promotion campaign in the US which sucked in £3m of exports from Dewhirst. A more normal export figure might be £2m. Although M and S's share of the group's sales slipped to 85 per cent compared with a historical norm of 90 per cent, the retailer obviously dominates and the developing toiletries division certainly has M and S in mind. Last year, toiletries only contributed £4m or so of sales but that could double in 1986 following the acquisition of Lorien which adds a "wet" capability—creams, bath salts etc. That new division could chip in £750,000 to profits in 1986 but already Dewhirst, closely working with M and S, is looking for new areas to service its dominant customer. As long as profits show 20 per cent growth this year—which is a fair minimum target—Dewhirst sits on a prospective p/e of 14—a fair rating.

UK COMPANY NEWS

Highland Distilleries tops £5m at halfway stage

WITH ALL sectors of its business showing an increase, the Highland Distilleries group has pushed up its pre-tax profit by 12.5 per cent in the half year ended February 28 1985, from £4.47m to £5.03m.

An increased tax charge keeps earnings at 2.5p share, but the interim dividen is lifted *from 0.56p to 0.616p* net.

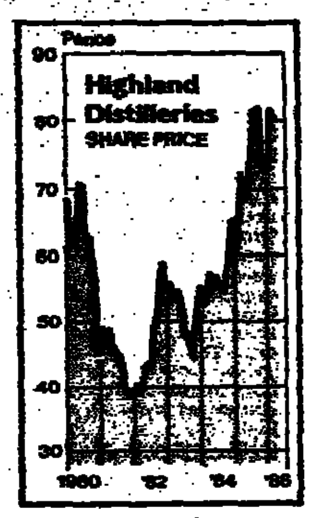
Sales of The Famous Grouse whisky in the UK were again ahead of the industry, the directors report, with growth coming from Scotland and England. Development of export markets continues and is supported by substantial investment.

New fillings sales to blenders were down slightly but production increased at the group's distilleries as additional stocks were laid down for its own use. Sales of mature whisky were maintained.

Increased support is being given to Highland Park, the single malt from the Islands of Orkney, and the new UK advertising campaign is under way.

Turnover in the half year rose 8.5 per cent to £59.08m while the gross profit improved 8.8 per cent to £5.05m. That rate of increase also worked through to the operating profit, which was up from £3.9m to £4.24m.

Investment income was £390,000 (£279,000), interest receivable £460,000 (£351,000), and interest payable came to £60,000 (£55,000).



The directors say despite the promise of an era of lower taxation, the group charge for this year is up by 31 per cent, from £1.45m to £1.9m. Withdrawal of stock relief continues to have a particularly adverse affect.

During the period the group spent £613,000 (£451,000) on fixed assets.

For the full year ended August 31 1985, turnover was £101.27m, pre-tax profit £9.5m, earnings 5.2p, and the dividend total 1.98p per share.

● comment

Highland Distilleries' lot is not an easy one. Penetration of its home market continues to hover around saturation point, so it is from south of the border that it obtains its growth: yet as fast as it puts on sales, its increased profits *are soaked up by a rising tax* charge. By the end of the current year, when it is expected to turn in £10.5m on a tax rate of 38 per cent, it will have shown profits growth of more than 25 per cent over the last two years while its earnings have been virtually stagnant. With a bid rendered unlikely by Highland's interlocking shareholdings with private companies, the shares, at 80p look highly rated on a *prospective p/e* ratio of 15. Yet the multiple is not out of line with the sector's, the tax charge *has now peaked out, and the* ample scope for expansion of Famous Grouse in England and Wales together with the long-term prospects overseas suggest that the shares are no more than fairly valued.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Fortnum & Mason	34	July 1	30	39	35
MCD Group	2.6¶	—	2	3.9	3.3
Mellerware	2	May	2	3	3
Parambe	0.8	July 4	0.7	1.25	1.1
Johnsen & Jorgensen‡	2.85	—	2.5	4.1	3.5
L. J. Dewhirst	0.82	July 1	0.68*	1.1	0.92*
Thurgar Bardex	*0.4†*	*May 31*	*0.2*	*0.6*	*0.2*
Highland Distill. ... int	0.62	June 7	0.56	—	1.98
Roberts Adlard	5	July 1	4	7	6
Sherwood Computer	2‡	May 23	—	3	—
Baillie Gifford	1.5	June 16	0.85‖	1.5	0.85
Connells†	3.2	May 30	2.5	4.2	3.5

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Special interim. ‖ For 10 months.

Baille Gifford NAV down

Net asset value of Baillie Gifford Technology fell from 107.4p to 94.6p in the 12 months ended February 28 1986.

However, income from investments rose sharply and enabled the company to record pre-tax profits of £381,000 for the period, compared with £212,000 for the previous 10 months.

The dividend is to be 1.5p net. In their interim statement in October the directors forecast at least maintenance of last time's 0.85p.

They say that with the portfolio of low-yielding technology stocks now largely in place future income from liquid balances will be significantly less and as envisaged when the company was formed (May 1984) the dividend, if any, for the current year will be substantially lower.

Ellis & Everard in £10m purchase

By Charles Batchelor

Ellis & Everard, which claims to be the largest British chemicals distribution group, is to pay nearly £10m in shares and cash for Cargo Fleet Chemicals (Holdings) an unlisted company which stores, blends and packages chemicals.

This deal, which requires the approval of Ellis's shareholders, will combine its nationwide network of 18 distribution depots with CFC's technical skills in blending and formulating chemicals. CFC has two large depots in Middlesbrough and Eaglescliffe on Teesside.

CFC will gain access to increased sources of finance to expand its business. A public listing was considered but was rejected on the grounds it would have taken longer to arrange and the volatility of the chemicals business would have placed limits on CFC's market rating.

CFC increased its pre-tax profit to £1.3m in 1985 from £1m the year before, on turnover which rose to £41m (£35m). Net assets at the year-end were £3.9m.

CFC was set up in 1972 by Mr Michael Marshall, formerly with ICI's petrochemicals division. Mr Marshall, now 42, effectively owns 50 per cent of CFC.

ICI is a major shareholder in both Ellis and CFC, owning 26.16 per cent of the former and 25 per cent of the latter. It is in favour of the deal but did not instigate it, Mr Marshall said.

Ellis will issue 4.08m new shares for the ordinary and preferred share capital of CFC and £603,000 in cash for the cumulative preference share capital.

Ellis trimmed the profits forecast it made in January to say that sales for the year ending April 30 1986 had been lower than expected and prices had weakened in both the UK and the US.

The board still expects to exceed the 1984-85 pre-tax profit of £3.52m but the increase will be smaller than anticipated.

This purchase will create a chemicals blending and distribution group well placed to exploit a further growth in role of independent distributors, said Mr Simon Everard, Ellis chairman.

Ellis has about 15,000 customers in the UK compared with CFC's 4,000-plus.

Ellis' shares fell 7p to 218p yesterday.

Ellis is advised by S. G. Warburg.

Shandwick deal

Shandwick, the USM-quoted public relations group, has agreed to buy Leslie Bishop, one of the largest privately-owned public relations consultancies, in a cash-and-shares deal worth £2.42m.

The combined public relations group would have the third highest fee income in Britain after Good Relations and Charles Barker, according to PR Week's latest league table.

Shandwick proposes to buy all Leslie Bishop's shares for £500,000 in cash and 809,595 new Shandwick shares. Some 288,762 of the new shares will be placed at 210p to produce another £606,400 in cash for the vendors.

Ashley rights

Ashley Industrial Trust is to raise £703,360 through a two-for five rights issue at 35p a share. Some £492,249 will be used for the purchase of Statebright, announced in February, and the rest for working capital.

WPP merger talks

WPP is in discussions with directors of the Grass Roots Partnership (GRP) with a view to merging GRP with Promotions House when Promotions becomes a wholly-owned subsidiary of WPP. Grass Roots is one of the UK's leading motivation consultancies.

UK COMPANY NEWS

Mellerware falls short with £0.4m

A STRONGER finish to 1985 has seen Mellerware International produce a pre-tax profit of £402,000, after only breaking even at halfway.

But the profit is lower than expected mainly because of increased pressure on margins, delays at overseas toolmakers and, particularly, quality problems at a major UK supplier.

The profit compares with the record £1.11m in 1984, but the directors are holding the dividend at 3p net per share with a final of 2p. The group makes cookware and small domestic electrical appliances.

As for the current year, the directors are confident the outcome should be at last satisfactory. Orders for the first quarter are ahead, new products such as Top Pot and toasters and microwave range are having success, and there are benefits of the two acquisitions made this year.

Those were a controlling interest in N. C. Joseph, manufacturer of domestic kitchen equipment and appliances, and the purchase of the Sona brand name.

The withdrawal of Moulinex from the UK kettle and jug market (Mellerware made products for Moulinex) hit turnover and the group total in 1985 fell from £9.04m to £8.94m. From this operating profit came £505,000 (£1.16m).

Net profit worked through at £234,000 (£673,000) after tax £168,000 (£434,000), for earnings of 4.25p (12.23p) per share.

Negotiations are at an advanced stage for the grant to Mellerware of a subsidised loan of £500,000 by the European Coal and Steel Community.

● **comment**

In 1985 almost everything went wrong for Mellerware. Moulinex hummed and hahed and finally cancelled its contract. Both of its key product developments were delayed, the Top Pot teamaker because of production problems in this country, the new water level jug because of production problems in Portugal. The company began the year with heavy stocks and ended it juggling the parallel problems of raw material price increases from its suppliers and a stubborn refusal to accept price increases by its retail customers. Retail prices will be just as inelastic in 1986, but raw materials should stabilise and Mellerware has effected one-off cuts in costs at its production plants. This should produce a modest recovery in profits to £900,000 and on yesterday's share price of 84p, a prospective p/e of 8. In the longer term Mellerware's only hope lies in product innovation, specifically on cordless irons, kettles and jugs, which, hopes, will steer it back into high margin, high volume areas just as jugs did in the early 1980s.

Fortnum hit by cost of refurbishment

Costs associated with refurbishment and redesign affected trading last year at Fortnum and Mason, the department store located in London's Piccadilly. Taxable profit for the year slipped from £1.06m to £1.03m.

The directors say that compared with the strong performance in the two previous years the pattern of trading in the 12 months to January 25 1986 was mixed. After a near 20 per cent gain in the first half, sales in the second increased by only 6 per cent. Total turnover for the year came to £15.35m against £13.79m.

The dividend is lifted from 35p to 39p with a final of 34p (30p) on earnings per share down from 146p to 136p after tax at £439,000 (£430,000). Interest added £295,000 (£290,000) to trading profits down by £38,000 at £730,000.

Pegler rejection

Pegler-Hattersley, the engineering group, yesterday rejected the £176m all-paper bid for it, launched last week by F. H. Tomkins, the acquisitive industrial holding company.

Pegler's board said it found "no industrial or commercial merit in the unwelcome offer from Tomkins which is based on the use of a large amount of over-valued paper."

Microfilm buys

Microfilm Reprographics, the USM quoted microfilming bureau, is to buy West London-based FDS Microforms in a deal valued at £4.25m, which will be financed by a vendor placing.

Both companies specialise in the direct transfer of computer data to microfilm and use compatible equipment and operating principles.

FDS made pre-tax profits of £439,000 on a turnover of £1.6m in 1985. In the six months ended December 1985 Microfilm's profits rose to £470,000 (£190,000) on a turnover of £3.8m (£1.5m).

The consideration of £4.25m will be satisfied by the issue of 852,172 Microfilm shares at 515p each, which represents just over 10 per cent of Microfilm's current issued capital.

Fitzwilton sale

Fitzwilton, the Dublin based investment company, is to sell its wholesaling textile subsidiary Crowe Wilson to Capstan Investments for £1.1m in cash.

The sale reflects the company's investment strategy to move out of unprofitable markets such as textile wholesaling which has been in difficulties in the last years. Recently, the company sold its stake in Independent Newspapers for £4m.

In the year ended June 1985 Crowe made pre-tax profits of only £14,937 and its net assets were valued at a little over £2m.

CU acquisition

Commercial Union Assurance is acquiring Ashton Tod McLaren, a firm of regional stockbrokers based in Liverpool, with offices in Warrington and Chester. The company is a Stock Exchange member and the deal is subject to its approval.

Johnsen & Jorgensen

From a turnover £2m ahead at £13.26m Johnsen and Jorgensen Packaging, a manufacturer of plastic and glass containers, increased its 1985 pre-tax profits from £932,000 to £1.13m.

Earnings emerged 1.61p higher at 8.79p per 10p share and a final dividend of 2.85p lifts the net total from 3.5p to 4.1p. Tax took £523,000 (£437,000) and minorities £33,000 (£23,000).

Dixon and Gelfer profit projections

BOTH parties in the agreed £6.72m merger between clothing manufacturers A & J Gelfer and David Dixon Group have published profit forecasts for the financial year just ended.

Gelfer, which made the offer last month, estimated that profits in the year to March 31 1986 will be not less than £1.15m (unchanged) on turnover of £7.9m (£6.2m), and that the year's dividend will be increased from 5.2p to 5.4p with a second interim of 3.4p.

Dixon is forecasting a profit of £1.1m (£702,000) on sales of £20.3m (£15.9m), and a total payout of 8p for the year with a second interim of 5p.

On completion of the deal Mr Harry Turpin, the Dixon chairman, will become chief executive of the enlarged group.

Associated Book paying £3.5m for publisher

Associated Book Publishers (ABP) is to take over London-based Croom Helm, the academic publisher, in a shares and cash deal valued at £3.5m.

ABP says the deal will enhance its international opportunities—Croom Helm has substantial export business to America and Australia. In the year ended March 1985 Croom Helm made profits of £277,000.

Consideration will be satisfied as to £2.48m in cash and the issue of 473,913 ABP shares.

ABP also plans to acquire Pitkin Pictorials, a souvenir guide publisher, in the near future.

Universal Health Care prepares for market debut

Universal Health Care, which makes and distributes medical equipment, is planning a stock market flotation early this summer.

The company was started in 1978 at the instigation of Kleinwort Benson and Thompson Clive, the venture capital group. They decided to construct a vehicle for buying companies in the health care sector, and managed to raise £4.5m from financial institutions. The group which had a further capital injection of £2.5m in 1980, will be valued on flotation at between £10m and £15m.

UHC consists of four companies, spread from the highest to the lowest technology ends of the industry, and based both in the UK and the US.

This has been an important part of the group's philosophy Mr Richard Thompson, the chairman, insists on the need to be international, which he says requires the company to have an investment base in the US as well as the UK. Within the group more risky high technology ventures with growth potential should be supported by steady earners.

J. Nesbit Evans, the largest company in the group, forms the UK base, and provides a reliable stream of profits from making hospital beds, of which it is the leading manufacturer in the UK. A similar function is performed in the US by Phonic Ear, which makes hearing aids.

The other two smaller companies are Rigel Research, manufacturing advanced electronic diagnostic and monitoring equipment, and Ibis Medical which assembles equipment projects overseas, particularly in Africa, the Middle East and South East Asia.

UHC's involvement with each of the companies is limited to overseeing their finances. However, when any of its companies perform below target new management may be brought in. When Rigel Research was purchased in 1980 UHC reinstated the company's founders, and the company which was then loss-making is now the fastest growing part of the group.

So far four out of five of the UHC's acquisitions have been successful. The company bought Oedip-Cerem, a medical publisher in 1979, which was sold at a loss last year in the run up to the flotation.

Having satisfactorily absorbed the others, Mr Thompson is now looking for more companies to buy.

Parambe higher

Parambe raised pre-tax profits from £96,331 to £133,738 in 1985. Earnings per 10p share rose from 1.51p to 2.06p and a final dividend of 0.8p makes a total of 1.25p (1.1p) net.

Net asset value per share increased from 49.9p to 54.1p. The company intends to apply for investment trust status for tax purposes, with effect from January 1 1986.

LADBROKE INDEX
1,397-1,403 (−12)
Based on FT Index
Tel: 01-427 4411

UK COMPANY NEWS

Boustead dives into £3m loss

LARGE PROVISIONS, both above and below the line, left Boustead, an investment holding company, deeply in the red for 1985 and the dividend is being passed for the second consecutive year.

Including an exceptional provision of £2.29m (£233,000), pre-tax losses accelerated from £106,000 to £3.06m.

The directors say the results were principally due to losses incurred by Bousteadco, the Singapore offshoot subsidiary. The exceptional item was a provision made by a subsidiary of the Singapore offshoot for *losses on investment activities* together with other group non-recurring costs.

In Singapore it was found necessary to make a provision of £1.31m in respect of the sum due from a local stockbroking firm for the purchase and sale of shares in listed companies, as well as a further provision of £384,000 for the reduction in market value of shares held at December 31. This type of business has ceased and the matter has been placed in the hands of solicitors.

In addition, the Singapore group's operating results were affected by substantial provisions for doubtful debts.

Extraordinary charges of £571,000 (credits £131,000) reflected the disposal of the soft commodity operations and a provision made by the group's metal broking subsidiary to cover positions held on behalf of the International Tin Council. Loss per 10p share rose to 5p (0.55p).

Overall, group trading continues to be difficult but the directors are reasonably confident that changes being implemented will result in a recovery in 1986.

All-round improvement lifts MCD to £3.76m

WITH HIGHER contributions from all activities the *MCD Group* saw its profits for the 1985 year improve from £3.03m to £3.76m pre-tax.

And, as forecast in March at the time of the agreed offer from the John Crowther Group, shareholders are to receive a special interim dividend of 2.6p for a 0.9p bigger total of 3.9p net.

Turnover of the group, which is engaged in floor coverings and was formerly Trafforod Carpets (Holdings), rose from £40.27m to £47.25m and generated a gross profit of £11.18m, compared with 1984's £9.5m.

Earnings emerged at 12.8p, against 9.7p.

Crowther offered three of its own shares for every two MCD. At the time of the offer it was said that Crowther had irrevocable undertakings to accept amounting to 52.8 per cent of the equity.

The directors of MCD recommended acceptance and say that under the merger the company can look forward to a *continuation of its growth.*

Hawley/Cope

Hawley's Group's offer for Cope Allman International has been accepted in respect of 31.21m Cope shares (78.5 per cent). This total includes 17.23m shares (43.3 per cent) held by Hawley's affiliated company, Henlys prior to the offer.

Roberts Adlard advances to £1.5m

Roberts Adlard, builders' merchant and roofing and cladding contractor, maintained trading profits at £1.1m in 1985. But helped by a sharply increased contribution from property sales, the pre-tax figure was up from £1.17m to £1.53m.

Earnings per 25p share advanced from 13.75p to 20.61p, and a final dividend of 5p makes a total of 7p (6p).

Trading this year has started well in all activities and with the major problems out of the way, the board faces the future with confidence.

Turnover in 1985 was £1m higher at £19.8m. Pre-tax profits were after crediting profits of £589,000 (£51,000) on sale of properties, but charging a £45,000 (£67,000) share of a related company's loss and net interest payments of £87,000 (£75,000 credits).

UK tax charge was £543,000 (£506,000) and last time there was also an extraordinary debit of £925,000.

The company's principal achievement during 1985 was the recovery from the effect of the payment at the end of 1984 of more than £1.5m in settlement of the 10-year dispute regarding roofing at Milton Keynes.

The company started the year with bank borrowings of nearly £1m and finished with a credit balance of about £800,000. This recovery is also reflected in an increase in the retained profits to more than £3m (£2.5m).

By relocating one of the roofing branches at more satisfactory premises, the company released a profit on disposal of about £0.5m.

Profit surge at Thurgar Bardex

Thurgar Bardex, plastic moulding and extrusion manufacturer, has hoisted its pre-tax profit from £148,000 to £708,000 for 1985.

The dividend is stepped up from 0.2p to 0.6p net, with a final of 0.4p payable on the capital increased by the acquisition of the N and P Group last October.

The results include six months of N and P, which assembles, distributes and installs plastic window frames. Comparative group figures are adjusted to take in N and P for the year ended June 30 1985.

Group turnover for 1985 was £13.89m (£13.7m), and the profit before interest came to £956,000 (£393,000).

Earnings are shown at 2.77p (0.91p) basic and 2.52p (0.83p) fully diluted.

Forecasts well beaten by Sherwood

PROFIT AND dividend forecasts made by Sherwood Computer Services when it came to the USM a year ago have been comfortably beaten.

For 1985, the pre-tax profit comes to £636,000, including £36,000 from the October acquisition of the Beaufort and Computel companies (now Sherwood Computel). The original group has beaten its forecast by £50,000.

The final dividend is 2p for a net total of 3p. Shareholders were promised 2.75p.

Turnover of the group, which provides facilities for insurance underwriters, advanced from £5.84m to £7.9m and other operating income came to £131,000 (£94,000).

Chairman Mr Terry Dicken says prospects for 1986 are encouraging. There are a substantial number of orders awaiting the completion of the new Lloyd's building.

Operating profit rose to £678,000 (£471,000) and the pre-tax balance showed a 92 per cent growth rate over the *previous* £330,000. Earnings were 12.1p (6.6p).

Argyll

The EC Commission confirmed it has received a complaint from Argyll Group about the proposed takeover of Distillers by Guinness, but said it is not yet able to take any position on the substance of the complaint.

It said in a statement that Argyll alleged the proposed merger would involve the violation of the clause of the EC's founding Treaty of Rome dealing with a company's abuse of its dominant position. It did not give details.

Dares Estates

Dares Estates, the property *development and investment* group, returned to the black in the second half of 1985 and finished the year with a small taxable profit of £12,000 compared with a £1.82m loss in 1984.

The directors say that following the two recent rights issues the company is now on a sound financial base, and can look forward to a return to satisfactory profitability in 1986.

Turnover for 1985 was £6.67m *compared to* £20.22m, including Dares Garages which has been sold. There is no dividend—last dividend paid was a 0.5p interim in 1984.

BOARD MEETINGS

TODAY

Interims:—Brikat, Gable House Properties, Glaxo.

Finals:—Bowater Industries, Bowthorpe, Chemical Methods Associates, Helene of London, Hyman, Walter Lawrence, London Park Hotels, Owners Abroad, Petrocon, President Entertainments, Savoy Hotel, William Sindall, Steel Brothers, Taylor Woodrow, Telephone Rentals.

FUTURE DATES

Interims:—

Micro Scope	Jun 17
Pict Petroleum	Apr 17

Finals:—

Ashley (Laura)	Apr 23
Brit Printing & Communication	Apr 23
Campari International	Apr 18
Clarke (Clement)	Apr 22
Edinburgh Oil and Gas	Apr 28
FR	Apr 30
Foseco Minsep	Apr 30
Inchcape	Apr 28
Jacques Vert	Apr 29
Macdonald Martin Distilleries	Apr 25
Moss Bros	Apr 22
North Sea Assets	Apr 18
Sunlight Service	Apr 25
Viking Resources Trust	Apr 28
Wadkin	Apr 28
Whatman Reeve Angel	Apr 24

FT LAW REPORTS

Injunction is appropriate to stop arbitration

COMPAGNIE EUROPEENE DE CEREALS SA v TRADAX EXPORT SA

Queen's Bench Division (Commercial Court): Mr Justice Hobhouse: March 21 1986

ARBITRATORS APPOINTED under the Gafta arbitration rules have no power to override a defence of statutory time-bar and, where appropriate, may be restrained by injunction from holding an arbitration outside the time limits imposed by the arbitration contract.

Mr Justice Hobhouse so held when giving judgment for the seller, Compagnie Europeene de Cereals SA ("CEC"), on its application for an injunction to restrain the buyer, Tradax Export SA, from proceeding with an arbitration arising out of a contract for the sale of soyabean meal.

* * *

HIS LORDSHIP said that in December 1972 CEC made three contracts with Tradax for the sale of US soyabean meal.

The contracts, numbered 364, 382 and 394, were on Form 100 of the Grain and Feed Trade Association (Gafta). They provided for monthly shipments between April and September 1973.

In June 1973 the US imposed an embargo on the export of soybean meal, and in the following month, introduced a quota licensing system. Consequently CEC did not make full shipments for the last three months.

In October and November 1973 Tradax claimed arbitration against CEC under contracts 364 and 394, and appointed arbitrators. It made no claim and appointed no arbitrator in respect of contract 382.

Nothing then happened for 10 years. In September 1983 Tradax sought to resurrect the claims under contracts 364 and 394, and for the first time sought to make a claim under 382.

On February 8 1984 CEC started the present proceedings against Tradax, saying that the arbitration agreements had been frustrated, abandoned or rescinded, and that any claim in respect of contract 382 was time-barred under the Limitation Acts 1950-1980. It claimed declaratory and injunctive relief.

Tradax put in a defence, but admitted that the claim under contract 382 became time-barred under the Limitation Acts in August 1979. CEC now applied for an injunction against Tradax restraining it from proceeding with the arbitration under 382.

The terms of the contract included an arbitration clause:

"(a) any dispute arising out of . . . this contract shall be settled by arbitration . . . in accordance with the Arbitration Rules of the Grain and Feed Trade Association Ltd No 125 . . . (b) Neither party . . . shall bring any action . . . until such dispute shall first have been heard and determined by the arbitrators . . ."

The latter part of that clause contained a *Scott v Avery* provision.

The Arbitration Rules No 125, by clause 2 (1) to (6), provided that a party claiming arbitration should notify the other within stipulated time limits. Clause 2 (7) provided: "In the event of non-compliance with any of the preceding provisions of this Rule claims shall be deemed to be waived and absolutely barred unless the arbitrators or Board of Appeal shall in their absolute discretion otherwise determine."

Tradax said that by that clause the parties had agreed to submit to the *discretion of* the arbitrators whether a claim time-barred by statute should be allowed to proceed. It said, therefore, that the injunction should be refused.

That argument depended on the proposition that the arbitrators' discretion allowed them to override a defence under the Limitation Acts.

The argument failed. The provision in the Arbitration Rules No 125 was clear and unequivocal. It laid *down* various time limits for the doing of various acts. It expressly referred to "non-compliance with any of the preceding provisions of these Rules."

Those were exact words which were incapable of *applying* to any statutory provision.

As a matter of law on their correct construction the Arbitration Rules 125 did not give arbitrators any discretion to override the defence available to CEC under the Limitation Acts.

CEC said that since the arbitrators did not have the power to override the statutory defence, Tradax should not be allowed to proceed with an arbitration where it would invite the arbitrators to do that very thing.

It said first that the correct construction of the Arbitration Rules was now *res judicata* and arbitration proceedings which disregarded that should be restrained; secondly, it *said* that for the arbitrators to purport to exercise *a discretion under the* Arbitration Rules would be an excess of jurisdiction and should be restrained.

Tradax disputed that any injunction could properly be granted.

The jurisdiction of the High Court to grant injunctions was confined to enforcement or protection of some legal or equitable right. That applied to injunctions to restrain arbitration proceedings as well as other injunctions.

CEC must therefore establish that the admitted facts, together *with the conclusion of law* as to the effect of the Arbitration Rules, disclosed some legal or equitable right which it was entitled to *enforce or protect*.

If what Tradax was seeking to do was to arbitrate a matter already *decided* in the court [*res judicata*], CEC had an equitable right to have the further proceedings restrained.

It could also be put as a legal right arising from contractual relationship and the limits of the jurisdictional competence given by the parties to the arbitrators. If a right or liability was no longer in dispute having already been fully decided by the court, arbitrators did not have jurisdiction in respect of it. To restrain them from deciding it a second time was therefore to restrain an excess of jurisdiction.

That *appeared to* have been the unanimous approach of the Scottish courts and the House of Lords in *Glasgow v Boyd [1918] SC (HL) 14*.

Also, in *Lloyd v Wright [1983] 1 QB 1065* Lord Justice *Dunn recognised* that where litigation and arbitration were proceeding side by side "the court has ample powers to restrain further proceedings in the arbitration by an injunction . . . if the appropriate *applications are made*."

He was saying that an application *for* an injunction was the appropriate step for a plaintiff to take if he wanted to ensure the paramountcy of the court's decision.

CEC was accordingly able to say the procedure it had adopted was appropriate. Tradax could have applied for a stay of the action in so far as it attempted to litigate an issue which the parties had *agreed* to refer to arbitration. It never did so and could not now complain about the court deciding the matter and granting CEC appropriate relief.

Alternatively Tradax relied on the *Scott v Avery* clause as *giving* it a defence to the action.

To make good that defence Tradax had to show *the relevant* question was within the jurisdiction of the arbitrators. The *Scott v Avery* provision only applied to a "dispute arising out of or under this contract."

The defence depended on *what was within the arbitrators'* jurisdiction. For arbitrators to make errors of law was not to exceed their jurisdiction. Construction of the contract and determination of the parties' rights were precisely what had been *submitted* to *the* arbitrators to decide.

Tradax argued that the discretion given under clause 2 of the Arbitration Rules came into the same category.

Two principles were relevant. *First*, there must be some legal or equitable right in support of which the application for the injunction was made. Second, the arbitration clause was a self-contained contract collateral or ancillary to the commercial contract of which it formed part. The arbitrators became parties to the arbitration contract by *accepting appointments* under it.

A party had a right to apply to the court *for* an injunction to restrain a breach of the arbitration contract, just as with any other contract.

The relevant question was whether the arbitration agreement was being broken. If it was, then there was no objection in principle to the granting of an injunction. That must be contrasted with questions relating to the commercial contract.

Questions relating to the commercial *contract* were the subject matter of the arbitration. Errors in the determination of those questions did not, without more, show any breach of the arbitration contract. The arbitrators were not parties to *the commercial contract* and were not, in the proper sense of that word, bound by it.

It followed that the question on an application for an injunction was whether the plaintiff was seeking to restrain a breach *of the arbitration* contract.

In the present case that was what CEC was seeking to do. The Arbitration Rules were terms *of* the arbitration contract. The arbitrators were not at liberty to depart from the *Rules*. *The* agreement was to arbitrate "in accordance with the Arbitration Rules No 125."

Tradax was asking for an arbitration *not* in accordance with those rules. CEC was seeking to restrain a breach of the arbitration contract. The *Scott v Avery* clause did not bar an application to the court to restrain such a breach. It applied only to disputes which the arbitrators were empowered to decide.

The final point was whether the remedy of injunction was appropriate. If it was the only way of ensuring that the arbitration contract was not broken, convenience and principle both suggested it was the appropriate remedy.

CEC was entitled to the injunction sought.

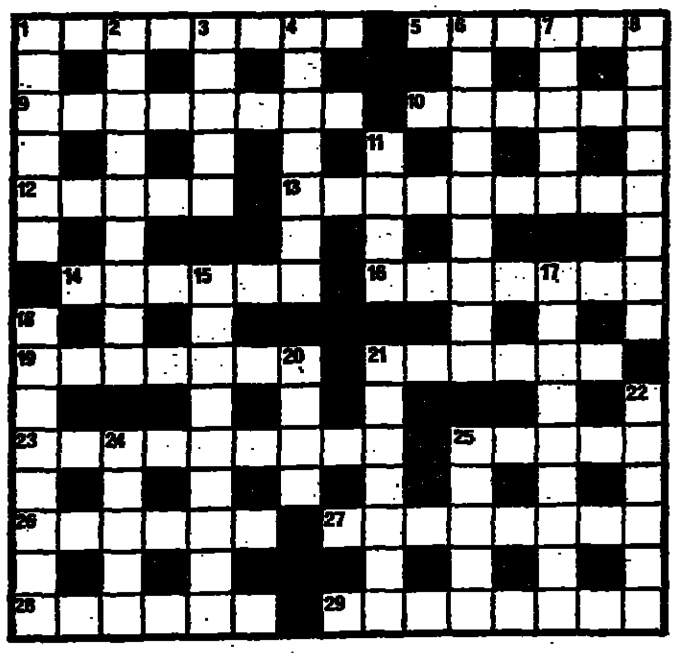
For CEC: Martin Moore-Bick (Richards Butler and Co).

For Tradax: Nicholas Legh-Jones (Sinclair Roche and Temperley).

By Rachel Davies
Barrister

FT CROSSWORD PUZZLE No. 5,997

HIGHLANDER



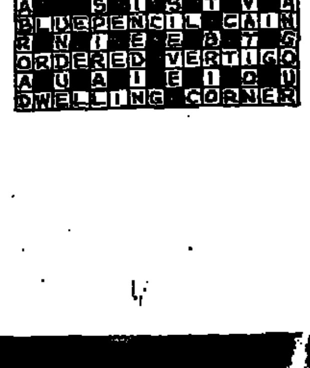
ACROSS

1 Horse uses stable with one on (8)
5 Where to leave *things* in ship for radio officer (6)
9 Sound made by breathing gets snake infuriated (8)
10 Glass has no right to fall (6)
12 Egg producer is old to change (5)
13 Reveal *nothing* in the programme (9)
14 Barrel made in Woodstock? (6)
16 Was pleased after son dug his heels in (7)
19 There's space for members in the French *train* (7)
21 Iron's to drive the ball in grass (6)
23 Stop match becoming complete defeat (9)
25 Instruction book? (5)
26 Remaining descendant is likely to succeed (4-2)
27 Employ entire year in a worthwhile manner (8)
28 *It's said* this seat can be discarded (6)
29 Visually handicapped but made a match with marble interior (8)

DOWN

1 Water's running — perhaps it's the spring (6)
2 First section of approach to London borough is attractive (9)
3 Fatty deposit covering road (5)
4 To turn up to take *one's* place in the chair (7)
6 Additionally, for us, mixed bags (4,5)
7 Puzzle raised by Queen about public transport (5)
8 Celestial bodies don't begin with these: some athletic bodies do (8)
11 Singles? Ahead by two points (4)
15 Understood about *different* dock level (5, 4)
17 A song and dance about Yale is coming up (9)
18 Boycott bowled during temporary loss of vision (8)
20 The average is poor (4)
21 Plant available to one in South Africa (7)
22 Hunted and fed as pair watched (6)
24 Broken reed accommodates one bird (5)
25 Get high on a pound? *Rubbish!* (5)

Solution to Puzzle No. 5,996



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Sentinel Funds Mngmnt Ltd
30 City Road London EC1Y 2AY 01-628 6626

American Majors	69 3	74 2	+0 2	1 12
Amer Tech & Genl Fd	103 8	111 1	-0 2	0 55
European Growth	28 9	30 9		0 03
European Income	31 3	33 5	-0 2	5 00
Equities	538 7	576 4		2 05
Intnl Growth Fd	26 7	29 0	-0 1	0 15
International Income	56 3	60 2	-1 3	4 96
Jap Tech & Genl	83 7	59 6	-0 1	0 01
Pacific Fund	145 2	160 5	-0 4	0 01
Sector Income Fd	178 4	190 9	-0 7	4 54
Small Co's Fd	37 6	40 2	+0 2	1.45
Special Sits	219 0	234 3	+5 7	2 18
UK General Fund	35 9	38.4	+0.9	2.32

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 031 225 2552

Income Units	261 2	279 9	-1 0	2.85
Accum. Units	289 0	309 7	-1 1	2.85

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	222 4	236 8	-0 6	2 15
(Accum. Units)	249 7	265 9	-0 9	2 15
(Withdrawal Units)	162 0	171 4	-0 3	2 15
Australian Fund	124.0	132.1	-0.7	1 01
(Accum. Units)	125 4	133 6	-0 7	1 01
British Fund	587.8	626.0	+5.6	4.25
(Accum. Units)	791.8	843.2	+6.2	4 25
European Fund	261.3	278.3	-1.1	0 88
(Accum. Units)	275 1	293 0	-1 2	0 88
Japan Fund	255.3	271.9	-0.4	0.37
(Accum. Units)	256 6	273.3	-0 4	0.37
Saints PPP	165.1	173 8		—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	400.3	425.8	-0.5	2.24
North America	57.5	61.1	-0 1	1.25
Far East	64.9	69 0	-0 8	0.16

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	31 6	33 6		1 4
American Income Acc.	30 8	32 7	-0 1	5 5
American Income Inc.	30 4	32 4		5 5
European Growth Acc.	48 1	51.2	+0 1	0.8
Far East Growth Acc.	36.2	38.5	+0.3	0.6
Int. Growth Acc.	32 6	34 7	-0 1	2 0
Japan Growth Acc.	45.5	48.4	+0 1	0 1
UK Growth Acc.	37 2	39.5	+0.1	2.7
UK Income Acc.	38.0	40.4	+5.2	5.3
UK Income Inc.	32.5	34 6	+0.2	5.3
Managed Growth Acc	38.5	40 9	-0 2	2.0
Managed High Yield Inc.	46 7	49 7	+0 7	7.0
Managed Income Inc.	38.0	40.4	+1 4	3.5

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	283.6	300 1	3.26
Equity Acc.*	341.4	361.2	3.26
Fixed Int. Dist.†	128.5	139 1	10 16
Fixed Int. Acc.†	188.5	195.3	10.16

*Prices on April 9. Next dealing May 14
†Prices on April 2. Next dealing May 7

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	116.0	123 5		0.99
Do. Accum.	120 7	128.5		0.99
TSB European	—	50 0		1.60
Do Accum	—	50 0		1.60
TSB Extra Income	110 6	117 7		4 96
Do. Accum	129 1	137 4		4 96
TSB General	161.8	172.1	-1.3	2.54
Do. Accum	263.8	280.6	-1 6	2.54
TSB Gilt & Fxd Int	52.1	54 2	-0 3	7.87
Do. Accum	66 6	69 3	-0 4	7.87
TSB Income	223.5	237.8	+1.0	3.89
Do. Accum.	343 1	365 1	+1 6	3 89
TSB Pacific	132.1	140.5	-0 4	0 67
Do Accum.	135 4	144 0	-0 5	0 67
TSB International	293.2	312 0	-1 7	1.58
Do. Accum.	362.2	385 4	+0 4	1.58
TSB Natural Resources	44 7	47 6	-0 8	2.30
Do Accum	45 9	48.9	-0 9	2 30
TSB Spcld. Opps.	61.9	65 9	+0.3	1 60
Do. Accum	67.8	72.2	+0.3	1.60

3i Unit Trust Managers Ltd
2 St Mary Axe, London EC3A 8BP 01-928 3356

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01 833 2303

Life Funds (Accumulator Units)

Squirrel	10 38	10 93		—
Bear	11.34	11 94	-0 02	—
Owl	11 89	12 82	-0 02	—
Bull	12 30	12 95	-0 04	—
Stag	11 94	12.57	+0 05	—
Gilt-Edged	11 03		-0 06	—
Deposit	9 57			—

Pension Funds (Accumulator Units)

Squirrel	10 93	11 51	+0 01	—
Bear	12 18	12 83	-0 01	—
Owl	12 88	13 56	-0.03	—
Bull	13.52	14 24	-0 06	—
Stag	13 09	13 78	+0 09	—
Gilt-Edged	11 03		-0.08	—
Deposit	9 63		+0.01	—

Exempt Approved

Mixed Managed	131.09	133 77	-0.32	—

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Equity Fd Acc.(z)	715 0	752 6	+0.9	—
European Fd Accum(z)	190 1	200 1	+0.2	—
Fixed Int. Acc.(z)	306 1	322.2	-0 2	—
Gtd. Money Fd. Ac (z)	195.3	205 6	+0 1	—
Intl Man Fd. Acm (z)	291 5	306 7	+0 4	—
Intl Fxd Int Fd Acc(z)	176.3	185 6	+0 4	—
Japan Fund(z)	206.8	217 6	+1.6	—
Nth American Fd Acc(z)	163 6	172 1	-0 3	—
Prop Fd Acc.(z)	198.1	208.5		—
Multiple Inv Acc.(z)	499 3	525.5	+0.6	—

Pension Funds

Eq Pen Fd Acc(z)	1294 7	1362.8	+2 5	—
Euro Fd Acc(z)	239 9	252.5	+0 4	—
Fixed Int. Acc.(z)	574 9	605.1	-0.6	—
Gt Money Pn Acc(z)	314.3	330 8	+0 1	—
Intl Man Fd(z)	406.7	428 1	+0.6	—
Jap Pen Fd Acc(z)	265.2	279 1	+2 9	—
N Am Pn Fd Acc(z)	190.3	200.2	-0.5	—
Property(z)	289.0	304.2		—
Mltple Inv Pens Acc(z)	925 6	974.3	+1.6	—

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

Fixed Int. Dep Acc.	215 8	227.2	—
Equity Acc.	634 8	668.3	—
Property Acc	311.0	327 4	—
Far East Acc.	126 7	133 6	—
Managed Cap.	312.0	328.5	—
Managed Acc.	503 9	530.5	—
O'seas Earnings Acc.	423.3	445.6	—
Gilt Edged Acc.	271 9	286.3	—
American Equity Acc.	353 7	372 4	—
American Man Acc.	168.5	177 4	—
American Prop Acc	124.2	130.8	—
Pen.F I Dep Cap	237 7	250.3	—
Pen.F I Dep Acc.	364.5	383 7	—
Pen. Prop. Cap	379.1	399.1	—
Pen. Prop Acc.	642.0	675.8	—
Pen. Man Cap.	654.2	688.2	—
Pen. Man Acc.	1106.6	1164.9	—
Pen. Gilt Edg. Cap.	282 3	297.2	—
Pen Gilt Edg. Acc	390.3	410 9	—
Pen. Eq. Cap.	1075 9	1132.6	19 9
Pen. Eq. Acc	1379.3	1451 9	—
Pen Am Eq Cap	136.6	143 8	—
Pen Am Eq Acc.	147 7	155.5	—
Pen Far East Cap.	143 6	151.2	—
Pen Far East Acc.	155.2	163 4	—
Pen. B S Cap.	250 9	263.5	—
Pen. B S Acc.	374 5	393 1	—
Pen D A F Cap	200.9	200.9	—
Pen. D A F Acc.	267 0	267 0	—
Pen. Mortgage Cap	112.8	118.8	—
Pen. Mortgage Acc	122.0	128.5	—

Ambassador Life Ass. Co Ltd
80 Holdenhurst Rd, Bournemouth 0202 292345

Equity Fd Acc	123 5	130 1	-0.1
Equity Fd Cap	113 6	119 6	-0.2

Baltic Assurance Funds
11 New Street, London EC2M 4TP 01-493 9899

INSURANCES

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. ad ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit Telecom	17	TI	42
Brown (J)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Min	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Controversy rages over dairy quota scheme

By Andrew Gowers

CONTROVERSY continued to rage yesterday between UK landlords and tenant farmers over compensation for dairy farmers who give up their milk production quota, despite a compromise formula proposed by Mr Michael Jopling, the Agriculture Minister.

The National Farmers' Union described Mr Jopling's settlement formula, which will entitle tenants to claim compensation when they quit their farm, as "a pretty poor deal."

The Country Landowners' Association, representing landlords, also complained that the proposal, which has been tabled as an amendment to the Agriculture Bill currently being considered in the Commons, would force landlords to pass on additional costs to new tenants. But it appeared quietly satisfied that the Ministry has brushed aside tenant farmers' more radical demands for compensation.

The dispute, which as provoked intense anger among both tenant farmers and big institutional landowners, arises from confusion over the ownership of milk production quotas—effectively a new farming asset created two years ago as part of the EEC's effort to rein back dairy output.

Community regulations are deeply ambiguous on this point where landlords and tenants are involved. This is of particular significance given that quotas may be used to curb over-production in other farm sectors such as cereals in the future.

At the outset, milk quotas were clearly allocated to producers. But when a farm tenancy ends, the quota simply passes to the new occupier of the farm, giving the outgoing tenant no right to compensation for his investments in the dairying operation. Tenants argued that this was unfair. The landlords, however, have insisted that the capital value of the quota should remain attached to the land.

Mr Jopling's proposal attempts to steer between the two sides. It sets what is called a "standard quota," on which a tenant farmer would be entitled to a degree of compensation. For any production above this amount, a tenant would receive full compensation, while if output falls short of the standard, his share would be reduced accordingly.

However, much remains to be resolved, including the figure to be set as standard quota. The NFU has sponsored its own amendment to the Agriculture Bill which would relate the landlord's and the tenant's share of compensation to the contribution made by each side to the dairy farm.

● US cattle farmers are suing the Department of Agriculture to try to stop the subsidised slaughter of dairy cows which they say is driving down prices in both live cattle and futures markets. A hearing is scheduled for April 22.

At the same time a Federal judge in Rochester, New York, has temporarily blocked the USDA's dairy herd reduction programme at the request of the humane society, which objected to cattle destined for slaughter being branded on the face. The court will decide on Monday whether to make the injunction permanent.

The USDA programme went into effect on April 1. It is expected to run for 18 months at a cost of $1.8bn in subsidies

Thailand may hit back at US in rice 'price war'

THE Thai Government may subsidise rice exports and impose barriers against US imports if the Americans undercut Thailand's economically crucial rice exports, the Deputy Premier, Mr Bhichai Rattakul said yesterday, reports Reuter from Bangkok.

Government officials and traders said they are concerned over lower US rice prices announced by the Department of Agriculture (USDA) on Friday. The new prices will narrow the gap on export prices of top-grade US and Thai rice to $30-40 a tonne, against the previous $100-150 differential, they said. Officials earlier said they hoped the price gap would be narrowed to $60-80.

Although the US price of $230 remains well above Thailand's $195-200, Thai traders said they believed US exporters could win more markets as they can offer better credit terms.

Commerce Ministry officials said Thailand, the world's largest rice exporter at about 4m tonnes a year, could lose up to 500,000 tonnes in sales during 1986, especially in its markets in the Middle East, Europe and Africa, because of the US move.

Trade sources said countries already delaying talks on buying Thai rice included Brazil, Peru and Malaysia.

Rice exports are expected to fall to between 300,000 and 350,000 tonnes this month, from 641,227 in March, the private Board of Trade said. Orders for April/May delivery have fallen sharply as buyers deferred new contracts until they could assess the effects of the US move, it said.

Deputy Premier and Foreign Minister Mr Siddhi Savetsila said at the weekend that the Thai Cabinet will consider taking measures to counter the effects of the US policy this week.

He said the US ignored appeals from Thailand that it should not be challenged in its traditional markets, and this will impose a strain on relations.

He also called on other major rice producers, notably Pakistan, Australia and Burma, to join Thailand in opposing the US move.

The US pricing policy was seen by some Thai newspapers as a deliberate attempt to undercut the country's rice exports, noting the US priced its long grain rice, the only type Thailand exports, at $4.12 per hundredweight, well below the $4.45 price set for medium and short grain rice.

Thai student and labour leaders said they will call a protest rally at the US Embassy here today against what they call an attempt to steal Thai rice markets.

After a Cabinet meeting, government official Mr Trairong Suwannakhiri said Thailand would lose about 300,000 tonnes in annual exports of its top-grade long grain white rice alone because of what he called a "price war" declared by the US.

He said the US action threatens traditional Thai markets in the Mideast, Europe, Africa and South America where Thai rice could not compete with rival US rice despite its $30 per tonne price advantage because of the long distances and high freights borne by Thai exporters.

Mr Suwannakhiri said the US has no justification to poach Thai markets as Thailand never did when its market increased at the expense of US sales.

He said the US, formerly the largest rice exporter, lost many of its major markets because of the growing strength of the US dollar.

Iran, which buys 300,000 to 400,000 tonnes of Thai rice a year, had stopped importing from the US after the fall of the late Shah, he said, while South Korea had reduced its imports from the US because of its higher domestic output.

Trader forecasts peanut glut

BY ANDREW GOWERS

EDIBLE PEANUTS may have become the latest agricultural commodity to be afflicted by a glut, stimulated by bumper crops in the US, Argentina, China and South Africa, according to a leading Dutch trader.

Man Producten of Rotterdam, in a report on the groundnut market, estimates that world exports of edible peanuts have increased sharply this season to between 540,000 and 670,000 tonnes, from 523,000 tonnes in 1984-85.

Demand is also showing impressive growth, especially in Europe — with total world demand rising to about 540,000 tonnes in 1985-86 from the previous year's 530,000 tonnes.

But Man reckons, on the basis of the mid-point of its export estimate, there could be oversupply of 65,000 tonnes.

The report says this could be offset by increased stockbuilding by the trade and consuming industries, encouraged by the decline of the dollar and lower interest rates. However, prices—which recently recovered to around $700 a tonne from a historic low of about $575 touched last September—are unlikely to rise above $770 until the supply/demand pictures become clearer.

The report also underlines some of the major shifts which have taken place in the world groundnut industry over the last few years. Imports from Argentina, for example, have more than doubled since 1981 and are expected to total 95,000 tonnes this year. China, which suffered a setback in its exports in the early 1980's is also steadily boosting its shipments again: they will probably reach 120,000-140,000 tonnes this season, Man estimates.

The US, meanwhile, traditionally the largest supplier of edible peanuts, has hung on to a world market share of about 50 per cent. The trader forecasts American exports this season at between 280,000 and 330,000 tonnes, compared with the 1984/85 total of 247,000.

Strong demand expected for titanium and tungsten

BY NANCY DUNNE IN WASHINGTON

IN A new study of 12 major metals used by US industry, the US Bureau of Mines and the Commerce Department have concluded that long-term growth can be expected for only titanium, tungsten, platinum group metals and aluminium.

Employing a complex analytical method to study "intensity of use" the report attempts to separate structural changes in the economy from variations in the business cycle. Usage from 1972 to 1982 was analysed before forecasts were developed for the next seven years.

As a result of automotive catalytic converter demand, the platinum group metals showed the strongest annual past growth, an average of 8.83 per cent a year between 1972 and 1982. New designs of catalytic converters use less platinum, however, and little growth is expected in "intensity of use," the report said. Usage is decreasing for iridium and other platinum group metals except for palladium in medical and dental equipment. So the report predicts a growth of about 6 per cent annually in the 1983-93 period.

For the other metals, the report forecast:

● Strong growth in consumption for the end-uses of titanium, particularly with non-aircraft industrial demand, which in 1982 constituted 30 per cent of total titanium use.

● A doubling of growth by 1993 for tungsten, particularly in the areas of metalworking machinery and tools. Consumption is expected to grow almost 6 per cent annually.

● Aluminium use is decreasing in 18 of 21 industries, but it is increasing in a major market — metal cans — which accounted for 26 per cent of consumption in 1982. Industrial research is developing new uses. Consumption is projected to increase about 23 per cent by 1993.

Quality tea dearer at London sale

By Our Commodities Staff

THE AVERAGE price of quality tea at yesterday's weekly London auction was 196p a kilo, up 2p from last week's sale, according to the Tea Brokers' Association's official report. But medium grade tea was quoted at 152p a kilo, down 2p, and low medium at 112p a kilo, down 3p.

The report described demand as "good but selective" with best coloury mediums often dearer but plainer mediums and plainest descriptions tending lower.

LONDON METAL EXCHANGE WAREHOUSE STOCKS (Changes during week ending last Friday) (tonnes)

Aluminium	−825 to 161,125
Copper	−4,925 to 138,575
Lead	−425 to 64,425
Nickel	+984 to 6,306
Tin	−1,910 to 62,980
Zinc	−75 to 40,700
	ounces
Silver	−500,000 to 38,692,000

CAP on collision course

FARMER'S VIEWPOINT

By John Cherrington

THE EEC's Common Agricultural Policy (CAP), far from being, as was intended, the unifying thread of Europe bids fair to destroy any hopes of effective unity. In spite of the increase in members' contribution, and some so-called reform proposals, the budget is already overcommitted, and the Community's stores are full of unsaleable foods. It looks, too, as though a thorough-going food trade war will soon be waged between the EEC and the US which will leave the other participants in world food trade lamenting on the side-lines as the US and EEC slug it out with more and more dumping.

As an aside it is worth pointing out that the problems faced by the US are not only caused by EEC dumping. They are a direct consequence of the worldwide increase in yields brought about by advances in farming technology—many of them of US origin.

But here it must be said that no country has a right, through precedent, to supply food to another for ever and ever. Britain lost many industrial markets to the emergent nations' own industrialisation and the same is happening to world food supplies. Everywhere yields are increasing, making vast farming industries in the exporting countries redundant.

Where the EEC has been mistaken is in believing that world food markets are boundless, and just the places in which to pour the excess output of European farms. But these markets are shrinking permanently.

The EEC Council of Agriculture Ministers, far from being capable of working for the good of Europe as a whole is composed of 12 ministers whose main concerns are the needs and demands of their own national constituents. Their views of the European ideal are decidely subjective.

Let us take a simple example. Cereals in the EEC are in 20 per cent over supply and the straightforward solution would be to impose a restriction of that proportion on each country's output. But this would be almost impossible to implement through the Council of Ministers as no minister would feel able to face the wrath of his farmers—except of course for Mr Michael Jopling, minister for the UK, where farmers have negligible voting power.

Without this consideration most other ministers, including those of the main cereal producers, France and Germany, are actually demanding more money and, in the case of France, a reduction of the so-called cereal substitute imports which, with the exception of tapioca could be termed proteins. If these were to be interfered with there would be serious cost increases for the European livestock industry.

The complacency with which agricultural ministers regard the budget crisis is mainly due to the fact that they themselves do not have to find the money from their own departments. It comes from an outside source, the EEC farm fund, and its collection is for others to worry about. Apart from Mrs Thatcher the other European heads of Government do not seem to take the costs of the EEC very seriously either.

EEC apologists are now claiming that the problem is all due to the fall in the value of the US dollar neccessitating greatly increased export subsidies to enable food sales abroad. But this is only a contributory factor, and a minor one at that, in the world's oversupply situation, which seems likely to prove permanent.

But there is another possibility. The West Germans are now demanding that their farmers should be compensated for the fall in their prices due to the movements of the D-mark in the European Monetary System—a sum of £300m is suggested. This would be a national aid as the government itself would find the money and it would very much against the present rules of the CAP. But, for electoral reasons, Bonn will probably have to agree to it.

Other countries also find it expedient to use national aids of various sorts and, should the Community run out of cash, these schemes would undoubtedly be expanded to make sure that their farmers did not suffer. It could fairly be said that such manoeuvres are basically social measures and should be covered from other EEC funds, and that, if nationally pursued, they distort the competitive element of the CAP. But no government these days (no democratic government that is) can afford to let its farmers suffer for the sake of ideological purity.

It would seem to me that this German move is an ideal precedent as a road to restoring national responsibility for farming. There is no earthly reason why the taxpayers of one member country should pay for the social and farming problems of the others except with the full agreement of all involved.

This is the core of the problem and its origin was in the way in which the CAP was founded. It was a mistake to impose on the farming systems of the member countries a blueprint of a homogenous European farm to cover the different social climatic and other circumstances of Western European farming as it then was. The transitional periods were really far too short and the suppression of national responsibility was the fatal mistake.

When I first visited Brussels in the late 1950s I asked one of the Commission's officials, a Frenchman, how long it would take for even the first six member states to become completely unified. At least a century, he said, these affairs have to evolve, they cannot really be imposed. An increase in national responsibility might seem a step away from unity but it may be a necessary one to allow this process of evolution to operate properly.

LONDON MARKETS

DEEPENING tension about the US/Libya situation elicited no reaction from the gold market yesterday as the London bullion price drifted down $0.50 to $341 a troy ounce. Nor was there any noticeable reaction on the base metals markets, which also would normally be expected to respond bullishly to war fears. Prices on the London Metal Exchange ended lower, except for cash lead and cash zinc, which were both unchanged. The biggest fall was in aluminium, which ended £14.50 down in the cash position at £777 a tonne. Dealers attributed the fall to bearish chart patterns and a relatively small fall in LME stocks last week. London's soft commodity markets were fairly quiet with New York firmness leading July coffee futures up £22 to £2,363 a tonne and July cocoa edging £2 higher at £1,388 a tonne. Nearby positions on the sugar futures market regained four or five dollars of Friday's sharp losses as operators covered short positions.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	776.5-7.5	−14.5	780/780
3 months	789-9.5	−10.25	801/782

Official closing (am): Cash 787-88 (788-8.5), three months 798-8.5 (800-0.5), settlement 788 (788.5). Final Kerb close: 783-84.

Turnover: 32,350 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/low
Cash	960.5-1.5	−5.75	
3 months	980.5-1	−6.25	993/981

Official closing (am): Cash 971-1.5 (971.5-2), three months 991-2 (993-2.5), settlement 971.5 (972). Final Kerb close: 983-83.5.

Turnover: 23,400 tonnes. US Producer prices 67-74 cents per pound.

LEAD

	Unofficial close	+ or −	High/low
Cash	247.5-9		
3 months	254-5	+0.25	257/255

Turnover: 10,475 tonnes. US Spot: 18.5-20 cents per pound.

TIN

KUALA LUMPUR TIN MARKET: Close 14.70 ringgit per kg, down 0.10 ringgit.

NICKEL

Turnover: 666 tonnes.

ZINC

Turnover: 3,200 tonnes. US Prime Western: 32.5-35.5 cents per pound.

GOLD

Gold fell $½ to $340¾-341¼ on the London bullion market yesterday. A fall in the value of silver and a strengthening of the dollar cut back earlier gains by the metal. Trading was nervous, because of the tension between the US and Libya, and ahead of today's Opec meeting in Geneva. Gold opened at $345-345½ and was fixed at $343.20 in the morning and $341.60 in the afternoon. It touched a high of $345¼-345¾ and a low of $340-340½.

SILVER

Silver was fixed 4.65p an ounce higher for spot delivery in the London bullion market yesterday at 370.8p. US cent equivalents of the fixing levels were: spot 547.65c, up 6.65c; three-month 556.2c, up 6.85c; six-month 565c, up 6.9c; and 12-month 583.85c, up 7.3c. The metal opened at 372-375p (554-556c) and closed at 361-362½p (535-537c).

LME—Turnover: 7 (24) lots of 10,000 oz.

Three months high 378.4p, low 377.4p, final kerb 367.9p.

RUBBER

PHYSICALS—The London market was very quiet with little consumer interest, reports Lewis and Peat. Closing prices (buyers): Spot 57.00p (56.50p); May 55.00p (54.50p); June 55.50p (55.00p). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No 1 was 196.0 (195.0) and for SMR 20 180.0 (177.5).

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing April 7 amounted to 441 tonnes against only 85 tonnes in the previous week. Improved demand brought operations in West African, Pakistani, Chinese, Israeli, Egyptian, East African, Russian, Colombian and Turkish varieties.

INDICES

FINANCIAL TIMES (Base: July 1 1952=100)

REUTERS (Base: September 18 1931=100)

DOW JONES (Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

MEAT

Pigmeat sales: 2 lots of 50 carcases, 3,250 kg.

Beef sales: 0 lots of 20 sides.

COCOA

Futures opened lower as due and drifted through a quiet day, but closed slightly higher in line with a firmer New York trend. Actuals were neglected with little interest expressed by either origins or industry, reports Gill and Duffus.

COFFEE

Prices traded in a narrow range during a featureless day. With a lack of fresh fundamental news in a market that appears to be nervously squared, the Brazilian winter, traders were reluctant to increase positions, reports Drexel Burnham Lambert.

SOYABEAN MEAL

Two-way commercial trading kept prices steady at lower levels in an otherwise quiet market, reports Muirpace.

GRAINS

Old crop wheat steadied in dull trading conditions on short-covering before easing on weaker delivered market trade. New barley met long liquidation pressure. New crops found support in thin trade, reports T. G. Roddick.

Dec 106.75/107.50 buyers/sellers, Jan/Mar 113.0 seller. April/June 117.00/18.00 buyer/sellers. Maize: US No 3 yellow/French transhipment east coast April 130.00. Barley: English feed fob April 116.50, May 118.50, June 119.50 sellers, July/Aug 98.50 buyer, Aug 99.00 buyer. Sept 101.00 buyer. Oct/Dec 105.50 buyer, Jan/Mar 10.50 buyer.

SUGAR

LONDON DAILY PRICE—Raw sugar $193.00 (£131.00), down $17.00 (down £11.00) a tonne for April-May delivery. White sugar $216.50, down $13.00.

The market quickly consolidated at the lower levels after Friday's sell-off, reports C. Czarnikow.

The London prices quoted are not closing levels due to the temporary increased time difference between London and New York.

No. 6 Contract	Yesterday close	Previous close	Business done
	$ per tonne F.O.B.		
May	184.2-184.8	182.0-183.8	185.4-177.2
Aug	188.8	183.0	187.0-179.6
Oct	188.0	186.0-186.8	186.8-181.2
Dec	186.2	185.4	—
Mar	194.8-195.8	192.4-194.0	195.0-187.6
May	194.8-195.6	195.0-201.8	—
Aug	188.0-203.8	197.8-204.0	196.0

Sales: 3,985 lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £236.50 (£248.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for April 11: Daily price 7.88 (8.84): 15-day average 8.38 (8.33).

No 6 cif contract — May 202.8-3.6; Aug 204.8 bid; Oct 198.0-203.2. Sales: 75 lots of 50 tonnes.

PARIS—(FFr per tonne): May 1550-1570, Aug 1613-1615, Oct 1618-1620, Dec 1625-1645, March 1670-1690, May 1700-1730.

OIL

The Brent market was extremely quiet with one May trade done at $13.15 in late afternoon but little other buying interest. Nymex WTI opened 36c down for May and fluctuated in 20.25c range by 12.30 pm. EST with most trade in June barrels. The petroleum products market was quiet with few traders willing to take positions ahead of the Opec meeting—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—May		
Arab Light	—	—
Arab Heavy	—	—
Dubai	10.78-10.90	—
Brent Blend	12.85-12.38	+0.025
W.T.I. (1pm est)	12.45-12.90	−0.275
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	155-160	—
Gas Oil	155-159	−13.5
Heavy fuel oil	59-62	—
Naphtha	120-122	—

Petroleum Argus estimates

Turnover: 1,259 (2,304) lots of 100 tonnes.

POTATOES

After a very strong opening, May reached new contract highs. New crops were steady after a wet weekend and on further rainy weather forecast to prevent adequate plantings. This factor also firmed the early market, reports Coley and Harper.

Month	Latest close	Previous close	Business done
	£ per tonne		
May	163.40	150.60	163.60-155.5
Nov	87.30	84.50	88.30-87.30
Feb	94.80	95.00	95.80-94.80
Apr	112.90	114.40	120.40-119.6
May	199.90	122.80	131.00-129.6

Sales: 1,680 (760) lots of 40 tonnes.

Earlies—July 114.00, +7.20, 114.00-109.00; Aug 70.00, −10.00. Sept 72.50, +2.50. Sales. 46 lots of 10 tonnes.

GAS OIL FUTURES

GAS OIL FUTURES

Month	Latest Close	+ or −	Business Done
	$ US per tonne		
May	144.75	−1.75	147.50-45.25
June	134.25	−0.75	135.00-32.25
July	130.00	−1.00	131.98-28.55
Aug	128.00	−3.00	128.50-27.30
Sep	129.50	−0.55	141.08-28.75
Oct	130.00	−0.75	130.00 —
Nov	131.50	—	131.38 —

FREIGHT FUTURES

Dry cargo levels came under pressure as news emerged of lower Gulf/Japan rates. A lower spot index also contributed to the weakness, with the lows being met late in the afternoon. Tanker futures were little changed with only minor activity in the larger vessel market, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	676/678	685/676	689/691
July	652/655	658/651	660/662
Oct.	744/747	750/746	755/756
Jan.	745/761	759/755	764/768
April	840/870	848	846/855
July	735/745	—	737.5/740
Oct.	830/850	—	850/850
Jan.	822/890	—	804/890
BFI.	689.0	—	696.5

Turnover: 207 (319).

	Close	High/Low	Prev.
Tankers			
April	750/800	745	750/800
May	765/800	755	730/790
June	750/800	—	750/800
Sept.	930/1000	—	930/1000
Dec.	950/1000	—	980/990
Mar.	922/1000	—	905/995
BTI.	779.5	—	775

Turnover: 43 (41).

Airflow Streamlines

Airflow Streamlines, the vehicle body maker and Ford main dealer, said it knew of no reason for the sharp rise in its share price on Friday.

The company's shares rose 18p to 56p on Thursday and Friday to value the company at £5.47m. Airflow made a pre-tax profit of £390,000 on turnover of £16.4m in the six months ended August 1985.

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar caught between factors

The dollar traded nervously on the foreign exchanges yesterday, caught between nervousness about the US military threat against Libya, expectations of disappointing US statistics this week, and conflicting views about the appropriate value of the dollar against the yen. The status of the dollar as a safe haven lent support to the currency, as a result of the US naval build up in the Mediterranean, and the threat to oil supplies from any conflict with Libya, but this was offset by forecasts that today's US industrial production figures will show a fall, and that Thursday's announcement of US gross national product growth will be disappointing. At the same time the dollar tended to be supported by a report from Japan, later denied, that President Reagan and Mr Yasuhiro Nakasone, Japanese Prime Minister, had agreed the dollar should stabilise at around Y180.

The dollar rose to DM 2.3090 from DM 2.3055; to FFr 7.3525 from FFr 7.3425; to SFr 1.9305 from SFr 1.9245; and to Y178.95 from Y178.35.

STERLING — Trading range against the dollar in 1986 is 1.5115 to 1.3770. March average 1.4681. Exchange rate index rose 0.3 to 76.4, compared with 80.2 six months ago.

£ IN NEW YORK

Close	April 14	Prev. close
£ Spot	$1.4830-1.4840	$1.4800-1.4810
1 month	0.47-0.44pm	0.48-0.47pm
3 months	1.21-1.17pm	1.25-1.22pm
12 months	3.58-3.40pm	3.63-3.53pm

Forward premiums and discounts apply to the US dollar

Sterling held firm, ahead of today's resumed meeting of Opec ministers in Geneva. Oil prices and London interest rates were steady. The pound gained 65 points to $1.4810-1.4820, and also rose to DM 3.42 from DM 3.40; to FFr 10.8925 from FFr 10.83; to SFr 2.86 from SFr 2.8375; and to Y265 from Y263.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1990. March average 2.2677. Exchange rate index 133.7 against 127.6 six months ago.

The D-mark weakened against the dollar in Frankfurt, as the US currency benefitted from the tension between the US and Libya, and from the report that President Reagan and the Japanese Prime Minister had agreed an appropriate rate for the dollar was Y180. At the Frankfurt fixing the dollar rose to DM 2.3135 from DM 2.3050, without intervention by the Bundesbank. The dollar closed at DM 2.3140 in Frankfurt compared with DM 2.3015 on Friday. The French franc was fixed at its EMS ceiling of DM 31.41 per 100 francs, but the Bundesbank did not intervene, as it was rumoured that French interest rates would soon be cut. In the afternoon the Bank of France reduced its money market dealing rate by ½ per cent to 7¾ per cent.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.75 to 175.00. March average 178.65. Exchange rate index 194.5 against 170.0 six months ago.

The yen showed little change against the dollar in Tokyo. The US currency closed at Y178.30, compared with Y178.15 on Friday, after recovering from an early low of Y177.85. Dealers were reluctant to take out new positions, before Mr Yasuhiro Nakasone, Japanese Prime Minister, returns to Tokyo today, from talks with President Reagan in the US.

POUND SPOT—FORWARD AGAINST POUND

April 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S	1.4730-1.4850	1.4810-1.4820	0.48-0.45c pm	3.77	1.21-1.17c pm	3.21
Canada	2.0589-2.0734	2.0690-2.0734	0.13-0.02c pm	0.43	0.22-0.08 pm	0.29
Nethlnd.	3.83¾-3.85⅞	3.85-3.86	1⅞-1⅝c pm	5.45	4⅝-4⅜ pm	4.67
Belgium	69.08-69.58	69.45-69.55	11-4c pm	1.29	33-22 pm	1.58
Denmark	12.50-12.62½	12.61½-12.62½	4⅛-2⅞ore pm	3.33	9⅝-7⅞ pm	2.69
Ireland	1.1198-1.1301	1.1255-1.1265	—	—	—	—
W Ger.	3.40½-3.42¼	3.41½-3.42½	1⅞-1⅝pf pm	5.70	4⅝-4⅜ pm	5.41
Portugal	218½-230	219-229	—	—	—	—
Spain	214.90-216.82	216.38-216.82	25-65c dis	−2.49	100-215 dis	−2.91
Italy	2331-2349½	2344-2346	3lire pm-2 dis	0.28	3-10 dis	−1.11
Norway	10.67-10.74	10.72-10.73	2-2⅞ore dis	−2.66	8-8¾ dis	−3.19
France	10.83½-10.89½	10.88½-10.89½	2⅞-2⅛c pm	2.62	7-5⅞ pm	2.36
Sweden	10.77½-10.86¼	10.84½-10.85½	⅞ore pm-⅞ dis	−0.21	⅞-1⅞ dis	−0.22
Japan	263¾-265½	264¾-265½	1⅝-1⅛y pm	5.95	3⅞-3⅝ pm	5.18
Austria	23.83-24.06	24.02-24.06	12⅜-10¾gro pm	5.74	31-27⅜ pm	4.86
Switz.	2.84½-2.86¼	2.85½-2.86½	1⅝-1⅜c pm	6.29	4⅝-4⅜ pm	5.77

Belgian rate is for convertible francs. Financial franc 69.95-70.05. Six-month forward dollar 2.09-2.00c pm. 12-month 3.58-3.43c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

April 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4730-1.4850	1.4810-1.4820	0.48-0.45c pm	3.77	1.21-1.17 pm	3.21
Ireland†	1.3090-1.3248	1.3170-1.3180	0.50-0.40c pm	4.11	1.20-1.00 pm	3.20
Canada	1.3815-1.4000	1.3990-1.4000	0.35-0.42c dis	−3.44	1.07-1.12dis	−3.14
Nethlnd.	2.5830-2.6185	2.6005-2.6015	0.35-0.33c pm	1.57	1.02-0.99 pm	1.54
Belgium	46.60-47.20	46.85-46.95	8-11c dis	−2.42	18-22 dis	−1.62
Denmark	8.44¾-8.54¾	8.51½-8.52½	par-⅞ore dis	−0.44	¼-1⅞ dis	−0.50
W. Ger	2.2950-2.3225	2.3085-2.3095	0.42-0.37pf pm	2.05	1.22-1.17 pm	2.07
Portugal	151¼-152½	151⅜-152¼	150-450c dis	−23.68	350-1350dis	−22.37
Spain	145.26-146.75	146.20-146.30	60-80c dis	−6.15	180-230dis	−5.60
Italy	1573-1592	1582-1583	4-6lire dis	−3.79	16-18 dis	−4.29
Norway	7.20¾-7.26¾	7.23¾-7.24¾	3½-4ore dis	−6.42	11½-12 dis	−6.49
France	7.30¾-7.39¾	7.35-7.35½	0-0.40c dis	−0.82	1.20-1.60dis	−0.77
Sweden	7.28½-7.34½	7.32½-7.32¾	2.10-2.30ore dis	−3.60	6.10-6.50dis	−3.44
Japan	178.05-179.75	178.90-179.00	0.34-0.29y pm	2.05	0.97-0.87 pm	2.06
Austria	16.10½-16.28	16.23½-16.24½	2-2⅞gro pm	2.03	7⅞-6⅞ pm	1.66
Switz.	1.9165-1.9405	1.9300-1.9310	0.40-0.35c pm	2.33	1.28-1.23 pm	2.57

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 47.20-47.30.

CURRENCY MOVEMENTS

April 14	Bank of England Index	Morgan Guaranty Change %
Sterling	76.4	−15.3
U.S. dollar	119.3	+9.3
Canadian dollar	78.8	−11.9
Austrian schilling	124.7	−7.1
Belgian franc	95.1	−7.2
Danish Krone	84.9	−1.6
Deutsche mark	133.7	−15.9
Swiss franc	155.1	+15.1
Guilder	123.4	+8.5
French franc	68.5	−13.6
Lira	45.8	−16.8
Yen	195.3	+45.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100). * Morgan Guaranty rates are for April 11.

CURRENCY RATES

April 14	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.771349	0.630245
US $	—	1.15862	0.931505
Canadian $	10.14	1.58330	1.29098
Austria Sch.	4	18.6694	15.1276
Belgian Fr.	8¾	53.2740	43.8066
Danish Kr.	7	9.84966	7.93454
D'mark	3½	2.68498	2.15643
Guilder	4½	2.95581	2.42917
French Fr.	—	8.51040	6.86611
Lira	15	1799.91	1477.36
Yen	4	202.596	166.972
Norway Kr.	8	8.22570	6.74400
Span'h Pts.	—	166.325	136.353
Swedish Kr.	8½	8.50040	6.81813
Swiss Fr.	4	2.20191	1.80264
Greek Drch	20½	163.506	134.474
Irish Punt	—	0.865089	0.708637

* SDR rates are for April 11.

EXCHANGE CROSS RATES

Apr. 14	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.482	3.420	265.0	10.89	2.860	3.855	2345.	2.071	69.50
$	0.675	1.	2.309	179.0	7.353	1.931	2.601	1583.	1.398	46.90
DM	0.292	0.433	1.	77.49	3.185	0.836	1.127	685.8	0.606	20.32
YEN	3.774	5.591	12.91	1000.	41.10	10.79	14.55	8847.	7.816	262.3
F Fr.	0.918	1.360	3.140	243.3	10.	2.626	3.539	2153.	1.901	63.81
S Fr.	0.350	0.518	1.196	92.66	3.808	1.	1.348	819.9	0.724	24.30
H Fl.	0.259	0.384	0.887	68.74	2.825	0.742	1.	608.3	0.537	18.03
Lira	0.427	0.632	1.459	113.0	4.646	1.220	1.644	1000.	0.883	29.64
C $	0.483	0.715	1.651	127.9	5.259	1.381	1.861	1132.	1.	33.56
B Fr.	1.439	2.132	4.921	381.3	15.67	4.115	5.547	3373.	2.980	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

April 14	Short term	7 Days notice	Month	Three Months	Six Months	One Year
Sterling	11⅛-11⅜	11-11⅛	10⅛-10⅝	10⅛-10⅜	9⅝-9⅞	9⅝-9¾
U.S. Dollar	6⅝-7⅛	6⅝-7⅛	6⅝-6⅞	6⅝-6⅞	6⅝-6⅞	6⅝-6⅞
Can Dollar	10⅛-10⅝	10⅛-10⅝	9⅝-10	9⅝-10	9½-9⅞	9⅝-10
D Guilder	5¼-5⅝	5⅛-5½	5⅝-5⅞	5⅜-5⅝	5⅛ 5½	5⅛-5⅝
Sw. Franc	3 3¼	2⅝ 2⅞	4⅛-4⅝	4⅛-4¼	4-4⅛	3⅞-4⅛
Deutschmrk	4⅛ 4⅝	4⅜-5	4⅜-4⅝	4⅜-4⅝	4⅜-4⅛	4⅜ 4⅝
Fr. Franc	7⅞ 8⅛	7¾-8	7⅛-7⅞	7⅛-7⅝	7⅜-7⅞	7⅛-7⅝
Italian Lire	8-10	10-12	10¾-12¼	11⅛ 12⅛	11½-12¼	11¼-12¼
B.Fr.Fin	12-12¼	9⅛-10	9⅞-9⅛	8⅝-8⅝	7⅝-8	7⅝-7⅞
B.Fr.Con	11-13	9½-11	9-9½	8-8½	7⅛ 8	7¼-7⅝
Yen	5⅛-5½	5⅛-5¼	4⅝-5	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜
D. Krone	8⅛-9¼	8⅛-9¼	8 8½	7⅞-8	7⅛-7⅝	7⅛-7⅝
Asian $ (Sng)	6½-7⅛	6⅝-7⅛	6⅝-6⅞	6⅝-6⅞	6⅝-6⅞	6⅝-6⅞

Long-term Eurodollars: two years 7⅛-7⅜ per cent; three years 7⅜-7⅝ per cent; four years 7⅝-7⅞ per cent; five years 7⅞-8⅛ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

OTHER CURRENCIES

April 14	£	$
Arg'tina	1.2260-1.2290	0.8300-0.8310
Aus'alia	2.0630-2.0670	1.3955-1.3970
Brazil	20.34-20.47	13.77-13.84
Finland	7.6760-7.6960	5.1950-5.1970
Greece	210.50-214.90	142.00-144.90
H'Kong	11.5275-11.5375	7.7800-7.8000
Iran	119.60*	81.00*
Kuwait	0.4290-0.4300	0.2905-0.2895
Lux'burg	69.45-69.55	46.85-46.95
Malaysia	3.8575-3.8775	2.6100-2.6150
N'Z'land	2.6705-2.6805	1.8055-1.8115
Saudi Ar.	5.3935-5.3985	3.6495-3.6505
Sin'pore	3.2325-3.2425	2.1865-2.1885
S Af.(Cm)	2.9815-2.9905	2.0160-2.0200
S Af.(Fn)	4.3495-4.4820	2.9410-3.0305
U.A.E.	5.4275-5.4385	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	43.6761	43.8066	+0.30	+0.30	±1.5388
Danish krone	7.91896	7.93454	+0.20	+0.20	±1.6408
German D-mark	2.13834	2.15643	+0.85	+0.85	±1.1202
French franc	6.96280	6.86611	−1.39	−1.39	±1.3701
Dutch guilder	2.40935	2.42917	+0.82	+0.82	±1.5081
Irish punt	0.712956	0.708637	−0.61	−0.61	±1.6669
Italian lira	1496.21	1477.36	−1.26	−1.26	±4.0788

Changes are for Ecu, therefore positive change denotes a week currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Weaker trend

Prices were mostly lower in the London International Financial Futures Exchange yesterday. There was little incentive to open fresh positions ahead of today's Opec meeting. While there was little expectation of an agreed reduction in oil quota, there was little indication as to how much the current price of oil would be affected after the meeting ends.

Yesterday's US economic statistics included an unchanged number for business inventories, in line with expectations and really too late to have any effect anyway. Thursday's US GNP figures are likely to provide the next real clue on how the US economy is performing. A reluctance to trade also reflected uncertainty about the current conflict between the US and Libya with continued speculation about a cut in the US discount rate adding to the confusion.

Against this background US bonds for June delivery dipped to a close of 103-02, better than the opening level of 102-25 but down from 103-16 on Friday.

Long gilts for June delivery opened at 128-19 down from 128-21 on Friday and touched a low of 128-02 before closing at 128-14.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
116	12.30	13.22	—	—	0.02	0.42	—	—
118	10.33	11.41	—	—	0.05	0.61	—	—
120	8.40	10.03	—	—	0.12	1.23	—	—
122	6.54	8.36	—	—	0.26	1.56	—	—
124	5.13	7.13	—	—	0.49	2.33	—	—
126	3.50	5.63	—	—	1.22	3.19	—	—
128	2.39	4.58	—	—	2.11	4.14	—	—
130	1.45	3.61	—	—	3.17	5.17	—	—
132	1.03	3.10	—	—	4.39	6.30	—	—

Estimated volume total, Calls 1,181, Puts 40
Previous day's open int. Calls 8,281, Puts 5,110

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
92	11.06	10.48	—	—	0.01	0.26	—	—
94	9.07	9.02	—	—	0.03	0.44	—	—
96	7.13	7.27	—	—	0.09	1.05	—	—
98	5.27	5.63	—	—	0.23	1.41	—	—
100	3.53	4.45	—	—	0.49	2.23	—	—
102	2.33	3.39	—	—	1.29	3.17	—	—
104	1.34	2.45	—	—	2.30	4.23	—	—
106	0.54	1.63	—	—	3.90	5.41	—	—
108	0.27	1.26	—	—	5.23	7.04	—	—

Estimated volume total, Calls 387, Puts 445
Previous day's open int. Calls 847, Puts 1,363

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.20	—	28.03	—	—	—	0.00	—	—
1.25	—	23.03	—	23.03	—	0.01	—	0.31
1.30	18.03	18.03	—	18.03	0.01	0.08	—	0.76
1.35	13.03	13.03	13.03	13.03	0.07	0.34	0.72	1.62
1.40	8.03	8.28	8.67	9.33	0.43	1.08	1.75	3.03
1.45	4.20	4.85	5.46	6.40	1.62	2.65	3.54	5.10
1.50	1.73	2.47	3.14	4.16	4.15	5.27	6.22	7.86

Estimated volume total, Calls 254, Puts 0
Previous day's open int. Calls 4,267, Puts 5,661

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.20	—	28.00	—	—	—	0.05	—	—
1.25	—	23.00	—	23.20	—	0.10	—	0.55
1.30	—	18.00	—	18.20	—	0.40	—	0.90
1.35	13.30	13.00	—	13.50	0.30	0.60	—	1.80
1.40	8.40	8.50	9.00	9.70	0.70	1.25	1.85	3.10
1.45	4.20	5.00	5.70	6.70	1.85	2.80	3.70	5.00
1.50	1.90	2.50	3.20	4.40	4.30	5.40	6.30	7.80

Previous day's open int. Calls 4,384, Puts 3,103
Volume, 0

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.20	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—
1.35	—	—	—	—	—	—	—	—
1.40	—	—	—	—	—	—	—	—
1.45	—	—	—	—	—	2.80	—	—
1.50	1.65	—	—	—	4.10	—	—	—

Previous day's open int. Calls 56,592, Puts 45,763
Previous day's volume, Calls 786, Puts 1,367

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
90.00	3.38	—	—	—	0.00	—	—	—
90.50	2.88	2.97	—	—	0.00	0.00	—	—
91.00	2.38	2.47	—	—	0.00	0.00	—	—
91.50	1.88	1.97	1.88	—	0.00	0.00	0.01	—
92.00	1.38	1.48	1.40	—	0.00	0.01	0.03	—
92.50	0.89	1.00	0.96	—	0.01	0.03	0.08	—
93.00	0.43	0.58	0.58	—	0.05	0.11	0.21	—

Previous day's open int. Calls 2,958, Puts 2,008
Volume, 128

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	102-25	103-12	102-23	103-13
Sept	102-05	102-20	102-00	[illegible]
Dec	101-11	101-26	101-07	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

	April 14	Previous
8.30 am	76.2	75.8
9.00 am	76.1	76.0
10.00 am	76.2	75.9
11.00 am	76.2	75.9
Noon	76.3	76.0
1.00 pm	76.3	76.0
2.00 pm	76.4	76.0
3.00 pm	76.3	75.9
4.00 pm	76.4	76.1

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	128-14	128-26	128-02	128-21
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 3,329 (6,867)
Previous day's open int 10,971 (11,052)
Basis quote (clean cash price of 13¾% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 342 (492)
Previous day's open int 998 (1,959)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 1,483 (3,586)
Previous day's open int 17,111 (17,036)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	170.70	171.80	170.20	171.35
Sept	172.95	—	—	174.10
Dec	175.45	—	—	174.60

Est volume 241 (476)
Previous day's open int 1,804 (1,868)

THREE-MONTH EURODOLLAR £1m points of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 1,737 (2,632)
Previous day's open int 18,043 (18,421)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est volume 3,851 (5,126)
Previous day's open int 6,702 (6,729)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4815	1.4769	1.4686	1.4613	1.4465

IMM—STERLING $e per £

	Latest	High	Low	Prev
June	1.4705	1.4715	1.4685	1.4765
Sept	1.4620	1.4625	1.4600	1.4680
Dec	1.4520	—	—	1.4575

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.4720	1.4735	1.4690	1.4765
Sept	1.4630	—	—	1.4685
Dec	1.4560	—	—	1.4560

Est volume 95 (84)
Previous day's open int 2,280 (2,285)

Company Notices

NOTICE OF REDEMPTION
TO HOLDERS OF
BANQUE NATIONALE DE PARIS
£15,000,000
13½ per cent. Sterling Foreign Currency Bonds 1991

Notice is hereby given that pursuant to condition 6 of the Bonds and paragraph 3(C) of the Fiscal Agency Agreement dated 22nd September 1980 between Banque Nationale de Paris (the "Bank") and Kleinwort, Benson Limited as Fiscal Agent, the Bank hereby gives notice to redeem all of its 13½ per cent Bonds due 15th January 1991. The date fixed for redemption shall be 30th May 1986 and the Bonds will be redeemed at the price of 101½ per cent of the principal amount thereof together with accrued interest to the date fixed for redemption. The Bonds will be redeemed at the specified office of any of the Paying Agents, upon presentation and surrender of Coupons appertaining thereto maturing on or before the date fixed for redemption. On and after the said date, interest thereon will cease to accrue.

Paying Agents:

Banque Nationale de Paris plc, 8-13 King William Street, London EC4P 4HS

Banque Nationale de Paris, COT Etranger-Coupons et Correspondants, 3 rue de Sofia, Paris 18eme

Kuwait Investment Company (SAK), Souk Al-Manakh Building, PO Box 1005, Safat, Kuwait

Banque Nationale de Paris (Luxembourg) SA, 22 Boulevard Royal, Luxembourg

Morgan Guaranty Trust Company of New York, 4 rue de la Regence, 1000 Brussels

Dated 15th April 1986

MONEY MARKETS

UK rates ease a little in quiet trading

Interest rates were slightly lower where changed in London yesterday. Trading was a little lacklustre with a smaller than expected shortage resulting in a slight loss of balance in places. The market also remembered last week's action by the authorities to curb enthusiasm for another quick cut in base rates and with Opec meeting today and Mr Nigel Lawson, UK Chancelor speaking tomorrow, activity remained on the quiet side.

Three-month interbank money was unchanged at 10⅛-10¼ per cent. Overnight money opened at 11½-11¾ per cent and eased to spend most of the morning at 11-11½ per cent. Rates moved up to touch 13 per cent with funds wanted at the close commanding 12 per cent.

The Bank of England forecast a shortage of around £550m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £759m and Exchequer transactions a further £210m. These were partly offset by a fall in the note circulation of £340m and banks' balances brought forward £80m above target. The Bank gave assistance in the morning of £51m through outright purchases of bills, £11m of eligible bank bills in band 1 at 10⅞ per cent and £40m in band 2 at 10⅞ per cent.

In the afternoon the Bank bought a further £258m of bills outright, £72m of Treasury bills and £33m of eligible bank bills in band 1 at 10⅞ per cent and £153m of eligible bank bills in band 2 at 10⅞ per cent. Late assistance came to £120m, making a total of £429m.

In Frankfurt the Bundesbank announced a new 36-day sale and repurchase agreement in order to offset a shortage of funds exacerbated by foreign exchange market intervention to support the D-mark. The facility will carry a fixed rate of 4.35 per cent and successful applicants will be credited with funds tomorrow. Yesterday's move represents a fresh injection of money and took the market by surprise as it does not coincide with a maturing agreement. Call money fell to 4.75 per cent from nearer 5.5 per cent last week.

In Paris the Bank of France cut its money market intervention rate to 7¾ per cent from 8¼ per cent. At the same time the Bank moved to restrict the supply of money by increasing banks' minimum reserve requirements. A cut in rates had been expected following last week's devaluation of the French franc within the EMS and a decline in interest rates elsewhere.

This followed signs of US anger at suggestions that Mr James Baker, US Treasury Secretary, and Mr Noburu Takeshita, Japanese Finance Minister, had come to a similar conclusion, and Japanese annoyance at the remark by Mr Nigel Lawson, Chancellor of the Exchequer, that most countries agreed the yen should appreciate.

UK clearing banks base lending rate 11 per cent since April 8

The dollar rose to DM 2.3090 from DM 2.3055; to FFr 7.3525 from FFr 7.3425; to SFr 1.9305 from SFr 1.9245; and to Y178.95 from Y178.35. On Bank of England figures the dollar's index rose to 119.3 from 118.7.

NEW YORK RATES
(Lunchtime)

Prime rate	9
Broker loan rate	8
Fed funds	6⅞
Fed funds at intervention	—

Treasury Bills & Bonds

One month	5.93
Two month	6.01
Three month	6.13
Six month	6.24
One year	6.28
Two year	6.57
Three year	6.60
Four year	6.78
Five year	6.92
Seven year	7.05
10 year	7.22
30 year	7.33

MONEY RATES

April 14	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Int'v'tin
Frankfurt	4.7-4.8	4.35-4.50	4.35-4.50	4.35-4.50	4.35-4.50	5.5
Paris	8⅜	7⅞-8	7⅞-7⅞	7⅞-7⅞	7⅜-7⅞	7⅛
Zurich	⅞-1⅛	4-4⅛	—	4 4⅛	—	—
Amsterdam	5⅛-5⅜	5⅛-5⅜	—	5⅛-5⅜	5⅛-5⅜	—
Tokyo	4.90625	5.09375	—	5.15625	—	—
Milan	14⅞ 15	13⅞ 14	—	14-14⅞	—	—
Brussels	9.25	8 9⅛	—	8⅞-8⅞	—	—
Dublin	12½ 13¼	11⅛ 11⅜	10½ 10⅞	10⅞-10⅞	9⅞-10⅛	—

FT LONDON INTERBANK FIXING

(11.00 a.m. April 14)

Three months US dollars		Six months US dollars	
bid 6¾	offer 6⅞	bid 6¾	offer 6⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

April 14	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-13	11-11¼	10⅛-10⅞	10⅛-10¼	9⅝-9⅞	9⅝-9⅞
Sterling CDs	—	—	10⅛-10⅛	10-10⅛	9⅞-9⅞	9⅝-9⅝
LocalAuthorityDepos	11⅛-11¼	11	10⅛-10¼	10⅛	9⅞	9⅞
Local Authority Bonds	—	—	11¼	10⅞	10¼	9⅝
Discount Mkt Depos.	11-11½	11	10⅞	10	—	—
Company Depos.	11-11¼	11-11¼	10⅛-10⅜	10⅛-10¼	—	—
Finance House Depos	—	—	10⅛	10⅛	9⅞	9⅞
Treasury Bills (Buy)	—	—	10⅛	9⅞	—	—
Bank Bills (Buy)	—	—	10⅞	10-10⅛	9⅝-9½	—
Fine Trade Bills (Buy)	—	—	11⅛	10⅝	10	—
Dollar CDs	—	—	6.65-6.80	6.60-6.65	6.60 6.65	6.70-6.75
SDR Linked Depos.	—	—	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞
ECU Depos.	—	—	7⅝-7⅞	7⅛-7⅞	7⅛-7¼	7⅛-7⅞

Treasury Bills (sell): one-month 10⅞ per cent; three-months 9¾ per cent. Bank Bills (sell): one-month 10⅞ per cent; three-months 9⅞ per cent. Treasury Bills: Average tender rate of discount 9.8249 per cent. ECGD Fixed Finance Scheme IV reference date March 5 to April 1 (inclusive): 11.677 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ per cent from April 1 1986. Bank Deposit Rate for sums at seven days' notice 5½-6 per cent. Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 11 per cent; one-three months 10½ per cent; three-six months 10 per cent; six-nine months 9¾ per cent; nine-12 months 9½ per cent. Under £100,000 9¼ per cent from April 11. Deposits held under Series 5 9¼ per cent. Deposits withdrawn for cash 6½ per cent.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on April 14, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.20
Algeria	Dinar	7.08
Andorra	French Franc	10.8925
	Spanish Peseta	216.60
Angola	Kwanza	43.3030
Antigua	E. Caribbean $	3.98
Argentina	Austral	1.2275
Aruba	Florin	2.66 (18)
Australia	Australian $	2.0650
Austria	Schilling	24.04
Azores	Portuguese Escudo	224.0
Bahamas	Ba. Dollar	1.4815
Bahrain	Dinar	0.5575
Balearic Isles	Spa Peseta	216.60
Bangladesh	Taka	44.90
Barbados	Barbados $	2.9665
Belgium	B. Franc	(cm) 69.50
		(fn) 70.00
Belize	B $	2.96
Benin	C.F.A. Franc	544.65
Bermuda	Bda $	1.4815
Bhutan	Ngultrum	18.30
Bolivia	Bolivian Peso	(o) 2805450.0
Botswana	Pula	2.4670
Brazil	Cruzado	20.4050 (20)
Brit. Virgin Isles	U.S. $	1.4815
Brunei	Brunei $	3.2375
Bulgaria	Lev	1.3742
Burkino Faso	C.F.A. Franc	544.63
Burma	Kyat	11.0000
Burundi	Burundi Franc	158.05
Cameroon	C.F.A. Franc	544.63
Canada	Canadian $	2.0718
Canary Islands	Spanish Peseta	216.60
Cape Verde Is	Cape V. Escudo	131.67
Cayman Islands	Cay. Is $	1.2315
Cent. Afr. Republic	C.F.A. Franc	544.63
Chad	C.F.A. Franc	544.63
Chile	Chilean Peso	275.86
China	Renminbi Yuan	4.7266
Colombia	Col. Peso	(F) 270.24
Comoro Islands	C.F.A. Franc	544.63
Congo (Brazaville)	C.F.A. Franc	544.63
Costa Rica	Colon	(U) 80.95
Cuba	Cuban Peso	1.2625
Cyprus	Cyprus £	0.7625
Czechoslovakia	Koruna	(com) 9.00
		n/c 15.49
		(T) 15.23
Denmark	Danish Kroner	12.6225
Djibouti	Djibouti Franc	265.0
Dominica	E. Caribbean $	3.98
Dominican Repub.	Dominican Peso	4.04 (7)
Ecuador	Sucre	(o) 161.13
		(F) 202.05
Egypt	Egyptian £	(o) 1.2245
		(T) 2.1000
El Salvador	Colon	7.3910
Equatorial Guinea	C.F.A. Franc	544.63
Ethiopia	Ethiopian Birr	3.0600
Falkland Islands	Falkland Is £	1.0
Faroe Islands	Danish Kroner	12.6225
Fiji Islands	Fiji $	1.6071
Finland	Markka	7.6850
France	French Franc	10.8925
French C'ty in Af.	C.F.A. Franc	544.63
French Guiana	Local Franc	10.8925
French Pacific Is.	C.F.P. Franc	190.0
Gabon	C.F.A. Franc	544.63
Gambia	Dalasi	10.20
Germany (East)	Ostmark	3.42
Germany (West)	Deutsche Mark	3.42
Ghana	Cedi	133.3350
Gibraltar	Gibraltar £	1.0
Greece	Drachma	212.65

COUNTRY	CURRENCY	VALUE OF £ STERLING
Greenland	Danish Kroner	12.6225
Grenada	E. Caribbean $	3.98
Guadaloupe	Local Franc	10.8925
Guam	U.S. $	1.4815
Guatemala	Quetzal	1.4815
Guinea	Franc	601.50 (19)
Guinea-Bissau	Peso	251.46
Guyana	Guyanese $	6.6386
Haiti	Gourde	7.38
Honduras	Lempira	2.9750
Hong Kong	H.K. $	11.5320
Hungary	Forint	68.8359
Iceland	I. Krona	61.5695
India	Ind. Rupee	18.30
Indonesia	Rupiah	1,659.38
Iran	Rial	119.60 (sg)
Iraq	Iraqi Dinar	0.4605
Irish Republic	Irish £	1.1260
Israel	Shekel	2.19 (17)
Italy	Lira	2,344.50
Ivory Coast	C.F.A. Franc	544.63
Jamaica	Jamaica Dollar	8.6510
Japan	Yen	265.0
Jordan	Jordanian Dinar	0.5250
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	23.90
Kiribati	Australian $	2.0650
Korea (Nth)	Won	1.39
Korea (Sth)	Won	1,261.51
Kuwait	Kuwaiti Dinar	0.4295
Laos	New Kip	51.63
Lebanon	Lebanese £	33.63
Lesotho	Maluti	2.9850
Liberia	Liberian $	1.4815
Libya	Libyan Dinar	0.4365
Liechtenstein	Swiss Franc	2.86
Luxembourg	Lux Franc	69.50
Macao	Pataca	11.97
Madeira	Portuguese Escudo	224.00
Malagasy Republic	MG Franc	947.25
Malawi	Kwacha	2.6670
Malaysia	Ringgit	3.8676
Maldive Islands	Rufiyaa	10.38
Mali Republic	C.F.A. Franc	544.63
Malta	Maltese Lira	0.5900
Martinique	Local Franc	10.8925
Mauritania	Ouguiya	113.58
Mauritius	M. Rupee	20.00
Mexico	Mexican Peso	(F) 736.15
		(C) 702.69
Miquelon	Local Franc	10.8925
Monaco	French Franc	10.8925
Mongolia	Tugrik	4.95
Montserrat	E. Caribbean $	3.98
Morocco	Dirham	13.55 (sg)
Mozambique	Metical	(A) 61.60
Namibia	S.A. Rand	2.9850
Nauru	Australian Dollar	2.0650
Nepal	Nepalese Rupee	30.24
Netherlands	Guilder	3.8550
Netherland Antilles	Antillian Guilder	2.65
New Zealand	N.Z. Dollar	2.6755
Nicaragua	Cordoba	(O) 41.50
Niger Republic	C.F.A. Franc	544.63
Nigeria	Naira	1.515966 (sg)
Norway	Norwegian Krone	10.7250
Oman Sul'ate of	Rial Omani	0.5685
Pakistan	Pakistan Rupee	23.85
Panama	Balboa	1.4815
Papua N. Guinea	Kina	1.4081
Paraguay	Guarani	(854.00 (10)
		1139.03 (7)

COUNTRY	CURRENCY	VALUE OF £ STERLING
Peru	Inti	exc(A)20.62(16)
Philippines	Philippine Peso	29.70
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.6755
Poland	Zloty	247.66
Portugal	Portuguese Escudo	224.0
Puerto Rico	U.S. $	1.4815
Qatar	Qatari Ryal	5.3915
Reunion Island	French Franc	10.8925
Romania	Leu	(Cm) 6.70
		(N/C) 18.76
Rwanda	Rwanda Franc	133.26
St. Christopher	E. Caribbean $	3.98
St. Helena	St. Helena £	1.0
St. Lucia	East Carribean $	3.98
St. Pierre	Local Franc	10.8925
St. Vincent	E. Caribbean $	3.98
Samoa American	U.S. $	1.4815
San Marino	Italian Lira	2,344.50
Sao Tome & Prin.	Dobra	59.05
Saudi Arabia	Saudi Ryal	5.3960
Senegal	C.F.A. Franc	544.63
Seychelles	S. Rupee	9.25
Sierra Leone	Leone	(O) 7.34
Singapore	Singapore $	3.2375
Solomon Islands	Solomon Is. $	2.3847
Somali Republic	Somali Shilling	83.10
South Africa	Rand	2.9850
Spain	Peseta	216.60
Spanish ports in North Africa	Peseta	216.60
Sri Lanka	S. L. Rupee	40.98
Sudan Republic	Sudan £	3.69
Surinam	S. Guilder	2.63
Swaziland	Lilangeni	2.9850
Sweden	S. Krona	10.8525
Switzerland	Swiss Franc	2.86
Syria	Syrian £	(A) (T) 9.0
		(CM) 5.79
Taiwan	New Taiwan $	57.10
Tanzania	Tan. Shilling	25.40
Thailand	Baht	38.95
Togo Republic	C.F.A. Franc	544.63
Tonga Islands	Pa'anga	2.0650
Trinidad	Trinidad & Tob $	5.31
Tunisia	Tunisian Dinar	1.0910 (sg)
Turkey	Turkish Lira	976.0
Turks & Caicos	U.S. $	1.4815
Tuvalu	Australian $	2.0650
Uganda	Uganda Shilling	2,108.4
United States	U.S. Dollar	1.4815
Uruguay	Uruguay Peso	204.56
Utd. Arab Emirates	U.A.E. Dirham	5.4305
U.S.S.R.	Rouble	1.0746
Vanuatu	Vatu	141.88
Vatican	Italian Lira	2,344.5
Venezuela	Bolivar	(4) 8.34
		(5) 11.06
		(6) 28.83
Vietnam	New Dong	(O) 18.60 (15)
Virgin Island U.S.	U.S. Dollar	1.4815
Western Samoa	Samoan Tala	(A) 3.2890
Yemen (Nth)	Ryal	(A) 10.3460 (sg)
Yemen (Sth)	S. Yemen Dinar	0.5060
Yugoslavia	New Y Dinar	506.73
Zaire Republic	Zaire	85.17
Zambia	Kwacha	10.30
Zimbabwe	Zimbabwe $	2.4050

‡ Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rates. (10) Rate for exports. (14) Nearly all business transactions. (15) Vietnam:—1 new dong equals 10 old dongs. (16) Peru:—1 inti equals 1,000 soles. (17) Israel:—1 new shekel equals 1,000 old shekels. (18) Aruba florin:—new currency introduced January 1, 1986. (19) Guinea Republic:—franc, new exchange rate announced. (20) Brazil:—1 cruzado equals 1,000 cruzeiros.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	95⅝	Treas 3pc 1986	99 xd		3.02	10.95
99	99	Exch 10½pc 1986	99 xd		10.50	10.93
100	99⅛	Treas 12pc 1986	99⅞		11.99	10.95
99	98	Treas 8½pc 1984-86‡‡	99	+	8.55	10.96
102¼	100	Exch 14pc 1986	102¼ xd		13.69	9.63
97¾	94	Exch 2½pc 1986	97¾ xd		2.56	6.37
102	100⅝	Exch 13¼pc 1987	102		12.90	9.47
100⅝	97	Treas 10¼pcCv '87	100⅝		10.19	9.38
96⅝	92	Exch 2½pc 1987	96⅝	+	2.59	6.57
101⅛	97	Exch 10½pc 1987	101⅛		10.38	9.25
98¼	93⅝	Funding 6½pc '85-87‡‡	98¼ xd	+	6.61	8.30
100⅞	96	Treas 10pc 1987	100	−	9.92	9.21
95¼	90⅞	Treas 3pc 1987	95¼	+	3.14	6.92
104	99⅜	Treas 12pc 1987	104 xd	+	11.54	9.16
98¼	92	Treas 7¾pc 1985-88‡‡	98¼	+	7.95	8.50
103¼	96¼	Exch 10½pc '88	103¼ xd		10.17	8.76
101	95⅝	Treas 9¾pc Cv '88	101⅞	−	9.57	8.76
91	86⅝	Transport 3pc '78-88	91	+	3.28	7.20
101¼	93	Treas 9½pc '88	101¼ xd		9.37	8.88
106⅝	98	Treas 11½pc 1989	106⅝		10.81	8.91
102¼	93⅝	Treas 9½pc Cnv '89	102 xd	−	9.30	8.66
89⅝	82	Treas 3pc 1989	89⅝ xd	+	3.35	6.80
104¼	95	Treas 10½pc 1989	104	−	10.08	8.94
103⅛	94⅛	Exch 10pc 1989	103⅛	+	9.70	8.88
106⅛	97	Exch 11pc 1989	106⅛	+	10.36	8.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكذا من الأصل

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
106	82	♦Midland Marts	104	+2	4.0	2.1	5.4	12.4
78½	61	Mitchell Cotts	67½	+½	4.25	1.5	8.9	(9.5)
109	81	♦Monks & Crane 10p	104	+1	R2.7	2.7	3.7	14.3
275	210	Morgan Crucible	248	+2	M8.5	1.6	4.8	17.2
22½	15½	♦Morris (W) F.A. 20p	22½	+½	g0.5	♦	3.1	♦
113	98	Moss (Robt.) 10p	98		†3.0	2.7	4.3	10.5
100	65	Myson Grp 10p	93		2.63	♦	4.0	♦
350	259	♦NMW Computers	335	−5	6.0	♦	0.9	21.8
40	27	Nash Inds	33		0.5	—	2.1	—
28	16	Neil & Spencer 10p	19		♦—	—	—	5.7
34	28	Newman Inds 10p	32	+4	0.8	♦	3.6	♦
65	50	Nolton	55	+2	0.95	5.9	2.4	7.9
130	96	♦Norank Systems 5p	118	+8	u3.0	♦	3.6	♦
263	187	Norcros	256	−2	†8.6	2.0	4.7	13.9
69	49	Nu-Swift 5p	68½	+1½	†3.0	1.9	6.2	11.1
96	80	Oakwood Grp	87		5.0	1.3	8.1	12.1
235	203	Office & Elect	215		†7.5	2.6	4.9	11.0
102	70	Oldacre 20p	90		†4.0	2.6	6.3	8.0
36	25	♦Optometrics $0.01	25		ud02c	2.1	6.3	8.4
675	500	Oriflame £1	625		24.5	♦	0.3	♦
10	8	Overstone 12½c	9		g03.29c	1.9	11.6	4.5
£275	£228	Ozalid 9pc Cnv 87-92	£264xd	+4½	Q9%	—	†3.5	—
100	95	♦PCT Grp 10p	95		3.2	1.2	6.9	(23.4)
£20½	950	PLM "B" Sk 25	£17⅛	+½	Q23.2%	0.3	3.8	—
156	114	PSM Intl	152		†qd5.25	2.5	4.9	10.4
255	167	♦Pacer Systems $0.01	240		Lu03.84c	3.4	1.1	26.8
78	60	♦Pacific Sales 10p	60		3.0	1.2	7.0	16.4
283	225	Park Place 10p	243	−3	†6.25	1.9	3.6	20.4
420	246	Parker Knoll 'A'	420		†9.3	2.9	3.2	15.3

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 26 (International Edition Page 28)

LONDON STOCK EXCHANGE

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Apr 1	Apr 10	Apr 11	Apr 21
Apr 14	Apr 24	Apr 25	May 6
Apr 28	May 8	May 9	May 19

* "New-time" dealings may take place from 9.30 am two business days earlier.

Middle East fears unsettle equities

Utd. Biscuits sell Imperial stake

London markets began the first session of the trading Account on a drab note yesterday. The US/Libyan confrontation was a subduing influence and investors were also pessimistic over the outcome of the Opec meeting, which opens in Geneva today. Business was unusually modest for the opening day of a fresh trading period, although interest quickened around mid-afternoon.

Leading shares then lost morning stability on reports that **United Biscuits**, which conceded defeat late on Friday in the acrimonious battle for control of **Imperial** group, had sold its near-15 per cent stake. It was later confirmed that the 113m shares had been placed with various institutions by brokers **Rowe and Pitman** and **Wood Mackenzie** at a price of 338p for each Imperial share.

The day had started with advertising agency **Saatchi and Saatchi** calling for £406m before expenses via a rights issue, so this further drain on funds brought an erosion in confidence. International stocks, adversely affected earlier by the Chancellor's defence of the 5 per cent ADR tax, gave ground and the FT Ordinary share index retreated quite noticeably. It fell to 1398.9 before closing 12.6 down on the day at 1399.3.

The market was not devoid of firm features, however. Many sectors presented good counters, most stemming from weekend press recommendations and others from either trading announcements of bid speculation. Activities in rumoured takeover candidates generally lessened: even the **Distillers** situation, which received a welter of publicity over the weekend and should be resolved later on in the week, aroused only a modicum of interest.

Gilt-edged securities performed reasonably well, although many ended with small losses on balance. Trade was the lightest for some considerable time and inhibited by the impending Opec meeting. Sterling maintained a steady course against the dollar but business in foreign currency markets was similarly thin.

Shorter-dated bonds attracted most interest and the authorities sold stock of one of four £100m taplets issued late last Friday. In the after-hours' dealings further demand for the stock, **Exchequer** 2½ per cent 1990, exhausted official supplies at 82½ and the price improved to close at 83, up ½ on the day. Longer bonds settled with a predominance of ¼ falls.

Hambros feature

Hambros, a strong market of late following press speculation that the merchant bank could be a takeover target, particularly in the wake of the Hambros family's recent declaration that it is prepared to sell its controlling stake, responded afresh to bid rumours with a further jump of 22 to a new peak of 292p. Following completion of the acquisition of stockbrokers Heseltine Moss, **Brown Shipley** advanced 35 to 535p. Gains of around 4 were common to **Guinness Peat**, 94p, **Goode Durrant and Murray**, 81p and **Newman Industries**, 32p. Among Hire Purchases, **Moorgate Mercantile** rose 4 to 54½p on confirmation that Bestwood had sold its stake in the company to British and Commonwealth Shipping. **Provident Financial**, meanwhile, reflected revived takeover hopes with an improvement of 8 at 473p. Awaiting fresh bid developments, **Standard Chartered** relinquished 4 at 873p as did **Lloyds** at 588p.

Insurances gave a mixed performance. Lloyds Brokers came on offer and **Sedgwick**, a nervous market last week following speculation about a reinsurance division, lost 5 more at 360p. **Stewart Wrightson** gave up 11 at 389p, while **Hogg Robinson**, at 336p, and **Minet**, at 263p, declined 6 apiece. Life issues, on the other hand, made good progress. **Prudential** improved 22 at 987p and **Legal and General** appreciated 21 at 763p.

Dealers reported scrappy support of **Distillers** which attained a new peak of 723p before settling 7 up on balance at 720p. **Argyll Group** dipped 13 to 365p, but rival suitor **Guinness** were unchanged at 353p, after 350p; the bid battle reaches its conclusion on Friday. Leading Breweries traded quietly and generally without distinction. **Allied-Lyons** met nervous offerings and closed 8 off at 292p amid talk of a pending rights issue to help finance the planned purchase of Hiram Walker's wine and spirit division.

Building issues provided several noteworthy movements. **Taylor Woodrow**, scheduled to reveal preliminary figures today, advanced 23 to 573p, while **Higgs and Hill**, due to report annual results tomorrow, advanced 15 to 615p. **SGB** revived with a rise of 12 to 346p, and **Vibroplant** improved 13 to 295p in a restricted market. **Roberts Adlard** responded to good preliminary figures by rising 10 to 175p, while speculative activity continued in **Raine Industries**, up 3½ at 50½p. **Tarmac**, however, drifted off to close 16 cheaper at 458p.

Among Chemicals, **ICI** eased 10 to 930p in relatively quiet trading. **Ellis and Everard** gave up 7 to 318p following details of the acquisition of Cargo Fleet Chemicals (Holdings).

Leading Retailers remained out of favour. **Woolworth**, currently in receipt of a hostile bid from **Dixons**, closed 5 off at 880p following the sale of its 26 Woolco stores to **Dee Corporation** for £26m. Dee eased a few pence to 272p; **Dixons** closed 10 cheaper at 376p. **Harris Queensway**, mentioned as possible buyers of Woolworth's Comet retail chain if Dixons' bid is successful, dipped 10 to 284p. Secondary Stores again displayed a number of noteworthy features amid revived speculative support. **Martin Ford** put on 4 to 110p, and **NSS** improved 6 to 148p, both on hopes of imminent takeover developments. **S. Casket**, 7 up at 53p, and **Cantors A**, 8 to the good at 155p, also encountered useful support, but adverse press comment left **Bremner** 3 cheaper at 49p. **J. J. Dewhirst** improved 8 to 100p following increased preliminary profits and proposed 1-for-5 scrip issue. **Fortnum and Mason**, however, were marked 4 points lower to £40½ in reaction to the slightly disappointing full-year figures.

Amstrad good again

High-flying **Amstrad** attracted another good demand and closed a further 38 better at 546p, after 552p, following a week-end press revelation that the company is about to launch a £400 business microcomputer to rival a similar model currently marketed by IBM at a price of well over £1,000. Support ahead of tomorrow's annual results left **NEI** 6 to the good at 103p, while recovery hopes helped **Chloride** improve a similar amount at 51p. **Questel** reflected an investment recommendation at 288p, up 38, while **Memory Computer**, at 18p, and **Audiotronic**, at 15½p, closed a penny or so dearer for the same reason. **Telephone Rentals** moved up 5 to 213p in anticipation of today's preliminary figures, while **Sherwood Computer** advanced 15 to 210p in response to the bumper profits. Renewed speculative support enabled **Burgess Products** to improve 12 at 206p and **Grosvenor** continued to reflect the recent half-year figures with a gain of 7 at 102p. **Apricot Computer**, however, cheapened 6 to 92p on fears of increased competition from Amstrad. **STC** touched a new peak of 162p on continuing hopes of a bid from Siemens of West Germany before reacting on lack of follow-through support to finish a couple of pence off on balance at 158p. **Mercury Communications** competition worries prompted a further reaction of 6 to 252p in **British Telecom**, but **BICC** continued firmly at 370p, up 7.

Possible bid candidates were well to the fore in the Engineering sector, fresh speculative activity being prompted by the offer from **Evered** for **Mckechnie**; the latter advanced to 290p on announcement before settling 56 higher at 278p, while Evered closed 8 dearer at 336p. **Weir Group** advanced 15 further to 154p xd and **Porter Chadburn** put on 25 further to 300p. Gains of 10 were recorded in **Stothert and Pitt**, 200p, and **Desoutter**, 245p xd. **Mitchell Somers**, the subject of press mention, put on a similar amount to 107p, while **John Brown**, also mentioned in the weekend press, closed 3 firmer at 57p. **TI Group**, in contrast, fell [illegible] as hopes of a bid from Evered faded, before recovering to close only 6 cheaper on the day at 564p.

Hillards highlighted the Foods sector with a leap of 30 to 228p, after 230p, following press speculation about a bid from J. Sainsbury. Hopes of a possible offer from Unigate left **Cliffords "A"** 4 to the good at 252p, while **Albert Fisher** gained 8 to 196p following a newspaper mention.

London Park stood out in Hotels with a press-inspired rise of 17 to 492p; the annual results are scheduled for today.

Boots sold

Leading miscellaneous industrials moved lower on lack of support. **Boots** encountered offerings and gave up 14 at 258p, while **Beecham**, reflecting the absence of bid developments, lost 9 at 396p. **Trafalgar House**, in contrast, put on 9 to 396p on talk of a Far Eastern contract, while **Glaxo** edged up ½ to £10⅛ awaiting today's interim figures. Elsewhere, favourable Press mention left **Cannon Street Investments** 13 higher at 126p and **Granyte Surface** 15 to the good at 90p. **WPP** rose 15 to 570p on the announcement that the company is in discussions with the board of Gras Roots Partnership with a view to merging the group with Promotions House when the latter becomes a subsidiary of WPP. **Vinten** revived with a gain of 14 to 146p, while **MCD Group** improved 6 to 210p in reply to preliminary figures.

The Leisure sector provided a few firm features. **Barr and Wallace Arnold Trust "A"** jumped 23 to 135p on news that Mr W. S. Yeates has increased his stake in the company. **SelecTV** advanced 1½ to 13p, after 13½p, on speculative buying fuelled by asset injection hopes.

Motor sectors lacked a decided trend. **Jaguar** met occasional profit-taking and dipped 10 to 463p, while among Components, losses of 4 were common to **AE**, 173p and **Airflow Streamlines**, 52p.

Saatchi and Saatchi fell 90 to 855p, after 850p, in reaction to the widely foreshadowed £406m rights issue: Saatchi, which also announced the purchase of New York-based agency Backer Spielvogel, has forecast an increase in pre-tax profits for the current year of at least 68 per cent. Other advertising issues proved resilient to the cash call with **Boase Massimi Pollitt** 7 to the good at 357p, after 369p; the annual results are expected later in the present Account. **Shandwick** advanced 24 to 237p following the proposed acquisition of Leslie Bishop, a private P. R. consultancy. Press comment lifted **Good Relations** 15 to 153p, and **John Michael** 5 to 83p.

News of the proposed £6.59m rights issue which accompanied the annual results left **Connells Estate Agents** 5 lower at 240p, after 230p, **Mann and Company**, however, closed 25 to the good at 335p. Elsewhere in Properties, revived speculative buying lifted **Edmond Holdings** 2½ to 24½p and **Abaco Investments** 2 to 53p, while **Phoenix Property and Finance** moved up 4 at 86p.

Textiles were mixed. **Courtaulds** met renewed selling and dipped 8 to 294p.

Imperial Group fell 18 to 345p as defeated bidder United Biscuits sold its stake in Imps. **Hanson Trust** eased 8 to 177p, after 174p, having announced acceptances amounting to 44 per cent of Imps; the offer has been extended to this Friday, and late yesterday won the recommendation of the Imps board.

Oils move ahead

Oils made modest progress ahead of today's Opec meeting in Geneva at which members will again attempt to reach agreement on production quotas. In leading oils, **BP** improved a few pence to 573p following news that the company is to cut its 1986 oil exploration expenditure by 27 per cent to £450m. **Burmah Oil** continued to forge ahead and rose 13 to a 1986 high of 378p on a mixture of takeover speculation and further consideration of the recent preliminary figures which were accompanied by news of the sale of its loss-making Bahamas oil terminal. **IC Gas** improved to 423p on renewed bid hopes but eased late to close only 2 up on balance at 417p. Second-liners included firm features in **Petranol**, which jumped 19 to 69p, after 75p, on talk that a large stake in the company had changed hands following the recent resignation of former chairman Mr Clive Smith. **Edinburg Oil and Gas** moved up 9 to 41p in response to weekend Press comment.

The latest manoeuvres in the BHP/Bell Resources/Elders IXL battle continued to dominate activity in the Australian sector. Two major developments were announced yesterday and both had a significant impact on share prices of the three groups: **BHP** announced it had purchased convertible preference shares in Elders IXL which when converted would give it a near 20 per cent stake in the group. **Elders IXL** shares dipped sharply on the news in overnight domestic markets and in London they fell 24½ to 197p ex-dividend. **BHP**, on the other hand edged up 4 to 342p. Robert Holmes à Court's **Bell Resources** retreated 10 to 220p following news of the proposed four-for-five rights issue at A$3.50 a share, to raise in excess of A$600m.

Traded options

Proceedings in Traded Options were dominated by **Hanson Trust** which attracted an evenly-balanced business with 3,056 calls and 2,704 puts struck. **Imperial Group** recorded 2,490 calls and 413 puts. **Lonrho** and **Trafalgar House** also attracted four-figure call business. **Distillers** contributed 810 calls and 438 puts awaiting the outcome of the prolonged takeover battle. Total contracts transacted amounted to 20,906.

FINANCIAL TIMES STOCK INDICES

	Apr. 14	Apr. 11	April 10	April 9	Apr. 8	Apr. 7	year ago
Government Secs	93.45	93.58	93.20	93.30	93.09	91.75	81.77
Fixed Interest	97.12	97.10	96.87	97.04	96.66	96.07	85.98
Ordinary ♥	1399.3	1411.9	1401.8	1376.5	1388.1	1400.9	977.0
Gold Mines	290.0	†282.1	281.8	282.7	288.0	290.0	536.9
Ord. Div. Yield	3.83	3.81	3.83	3.89	3.87	3.83	4.67
Earnings, Yld. % (full)	9.41	9.36	9.35	9.50	9.43	9.34	11.67
P/E Ratio (net) (*)	13.14	13.21	13.25	13.04	13.14	13.26	10.44
Total bargains (Est.)	35,615	39,007	38,547	36,111	42,917	42,321	24,980
Equity turnover £m.	—	926.66	829.84	693.51	909.02	889.01	430.02
Equity bargains	—	37,954	34,085	32,510	38,030	46,029	26,129
Shares traded (m)	—	400.8	340.2	280.1	354.0	352.4	230.4

♥ 10 am 1405.7. 11 am 1405.8. Noon 1405.7. 1 pm 1404.3. 2 pm 1401.5. 3 pm 1400.5. 4 pm 1399.7. Day's High 1406.5. Day's Low 1398.9. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. *Nil=12.72.
† Corrected

HIGHS AND LOWS

—	1986 High	1986 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	93.58 (11/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int	97.12 (14/4)	86.55 (23/1)	150.4 (28/11/47)	50.53 (6/1/75)
Ordinary	1426.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	357.0 (27/1)	257.5 (2/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

INDICES	Apr. 11	Apr. 10
Daily Gilt Edged Bargains	158.3	174.5
Equities Bargains	245.9	220.8
Value	1,873.0	1677.3
5 day Average Gilt Edged Bargains	180.1	180.2
Equities Bargains	244.4	256.8
Value	1,717.5	1717.3

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS

BRITISH FUNDS (15), INT. BANK & O'SEAS. GOVT. STLG. ISSUES (4), CORPORATION LOANS (7), COMMONWEALTH & AFRICAN LOANS (1), LOANS (10), AMERICANS (6), CANADIANS (2), BANKS (8), BREWERS (3), BUILDINGS (8), CHEMICALS (6), STORES (9), ELECTRICALS (12), ENGINEERING (14), FOODS (7), HOTELS (1), INDUSTRIALS (41), INSURANCE (5), LEISURE (8), MOTORS (8), NEWSPAPERS (1), PAPER (9), PROPERTY (15), SHIPPING (1), TEXTILES (4), TRUSTS (25), OILS (6), OVERSEAS TRADERS (2), MINES (1).

NEW LOWS (12)

AMERICANS (2) Contl. Illinois Corp., US Steel. STORES (1) Bremner. ELECTRICALS (1) Memcom Intl. INDUSTRIALS (3) Assoc. Heat Services, Pavion Intl., Do. 11 pc Cnv Ln. '94-02. OILS (3) Command Petroleum, Pict Petroleum, Triton Europe. OVERSEAS TRADERS (1) Nesco Invs. MINES (1) Cons. Gold Mining Areas.

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Apr 7	Apr 18	July 10	July 21
Apr 21	May 2	July 24	Aug 4
May 6	May 16	Aug 7	Aug 18

For rate indications see end of Unit Trust Service

Active conditions prevailed in Options with calls transacted in Pavion, C. H. Bailey, Cannon Street Investments, Jessups, Beecham, United Biscuits, Petranol, STC, Davy, Stoddard "A", British Telecom, Folkes Group, Barrie Investment and Finance, Woolworth, Magnet and Southern, Stainless Metalcraft, Midland Bank, Southend Stadium, Tricentrol, Five Oaks, NSS Newsagents, Abaco Investments, Grovebell, Combined Technologies, Burnett and Hallamshire, P. & W. MacLellan, Sycamore, Audiotronic, Amstrad, Norfolk Capital, F. J. C. Lilley, Associated British Engineering, Alfred Plant, Delyn Packaging, Galliford, Energy Capital, Thomas Borthwick, Edmond, John Brown, Rank Organisation, Sheng, and Logica. A put was taken out in Charles Baynes, but no doubles were reported.

RISES AND FALLS YESTERDAY

[illegible]

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

[illegible]

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
STC	39	160	+16
Evered	35	328	+28
[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

A=Ask B=Bid C=Call P=Put

London Traded Options were not available for this edition

WORLD STOCK MARKETS

AUSTRIA | GERMANY | NORWAY | AUSTRALIA (continued) | JAPAN (continued)

BELGIUM/LUXEMBOURG | SPAIN | SWEDEN | HONG KONG

DENMARK | ITALY | SWITZERLAND | JAPAN | SINGAPORE

FRANCE | NETHERLANDS | AUSTRALIA | SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm April 14

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

NYSE-Consolidated 1400 Actives

Advances 871 Declines 678

TORONTO	April 14	April 11	April 10	April 9	1985/86 High	1985/86 Low
Metals & Minls	2,278.3*	—	2,268.1	2,258.48	2,442.85 (21/3/86)	1748.82 (31/10/85)
Composite	3,083.7*	3,083.6	3,065.3	3,058.18	3,083.6 (11/4/86)	2348.5 (8/1/85)
MONTREAL Portfolio	1,587.82*	1,582.67	1,594.86	1,587.01	1,603.67 (11/4/86)	1,209.49 (4/1/85)

* Indicates pre-close figure

** Saturday April 12: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

Joint agency for Detroit newspapers

TWO of the grand old names of the US newspaper business, the Detroit News and the Detroit Free Press, are coming together in a deal aimed at ending a promotional slugging match which has reportedly been costing their owners up to $10m a year, writes Terry Dodsworth in New York.

Knight-Ridder, which owns the Free Press, and Gannett, the up-and-coming publisher of USA Today, which acquired the Detroit News last year, announced an agreement yesterday to split the local market between them. The Free Press will publish in the mornings during weekdays and the News in the evenings, while they will combine in one publication for both Saturdays and Sundays.

Detroit, the capital of the world motor industry for the last 80 years, figures among the top five newspaper markets in the US and is potentially lucrative for both papers, which have a combined circulation of 1.28m a day.

For several years, however, the two titles have been engaged in a war of attrition, widely seen as an attempt to destroy the other newspaper and capture a monopoly.

Under the new plan, Knight-Ridder and Gannett have declared a draw. The agreement they have signed, which sets up a jointly owned company, the Detroit Newspaper Agency (DNA), theoretically settles the future of the papers for 100 years. For the first five of those, Gannett will take 55 per cent of profits to reflect its superior Sunday circulation and advertising rates while earnings will be split equally for the following 95 years.

The agreement matches 21 similar market-splitting deals operating in other cities in the US but will have to be approved by the US Attorney General under the Newspaper Preservation Act.

OVER-THE-COUNTER *Nasdaq national market, 2pm prices*

Continued from Page 49

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES				FALLS		
Amstrad	546	+38		Allied-Lyons	292	−8
Barr & WAT A	135	+23		Bell Resources	220	−10
Brown Shipley	535	+35		Boots	258	−14
Burmah Oil	378	+13		British Telecom	252	−6
Cannon St Invs	126	+13		Elders IXL	197xd	−24½
Chloride	510	+6		Hanson Trust	177	−8
Dewhirst (IJ)	100	+8		Imperial Group	345	−18
Edinburgh Oil	41	+9		Saatchi & Saatchi	855	−90
Evered	336	+8				
Fisher (A)	198	+8				
Good Relations	153	+15				
Hambros	292	+22				
Hillards	228	+30				
Hopkinsons	254	+14				
McKechnie Bros	278	+56				
Moorgate Merc	54½	+4				
Newman Inds	32	+4½				
NEI	103	+6				
Petranol	69	+19				
Porter Chadburn	300	+25				
Taylor Woodrow	573	+23				
Weir	154xd	+15				

NYSE COMPOSITE PRICES

Continued from Page 49

Prices at 2pm, April 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24	10⅝	AAR s			20	1	21¼	21¼	21½	+⅛
22¼	11½	AFG s			24	639	u25⅝	25⅛	25¼	
25⅜	11⅞	AGS			14	50	21	20½	20½	−⅜
15	9⅞	AMCA				10	14⅛	14⅛	14⅛	−⅛
57⅞	37½	AMR			9	2211	55⅛	54⅝	54¾	−⅝
25¾	18⅝	AMR pf2.18		8.7		24	25⅛	25	25⅛	−⅛
22	19	ANR pf2.12		9.6		2	22	22	22	
12½	7⅜	APL			7	7	12	11⅞	11⅞	−⅛
18¾	10⅜	ARX			13	49	14¼	14¼	14¾	−½
55	32¾	ASA	2a	5.4		152	37½	37⅛	37⅛	−¼
18⅜	10½	AVX		2.1		650	15½	15¼	15¼	−⅛
31¼	22½	AZP	2.72	8.8	8	661	31⅛	30¾	31	+¼
86¾	49½	AbtLab 1.68		2.0	21	567	84¾	84	84¼	+¼
31⅞	19⅝	AccoWd .50		1.7	21	17	30¼	30	30	
24¾	10	AcmeC .40		3.0	19	42	13⅜	13¼	13⅜	−⅛
9¼	7	AcmeE .32b		4.0	15	48	8	8	8	
19¾	16¼	AdaEx 1.90e		9.9		87	19¼	19⅛	19¼	−⅛
28	14	AdmMl .40		1.5	12	31	26⅞	26¾	26¾	−¼
20⅜	8¾	AdvSyst .36t		7.3	17	28	19	18½	18⅝	−¼
33½	22⅞	AMD				1551	30⅜	29¾	30¼	
12⅝	8¼	Adobe n				47	9¼	8⅞	9¼	+¼
18⅜	14⅝	Adob pf 1.84		11.		80	16½	16⅜	16⅜	−⅛
20¼	15¼	Adob pf 2.40		12.		29	19⅝	19½	19⅝	+⅛
17¾	8⅞	Advest .12a		.8	15	487	16¼	15⅞	15⅞	−⅛
68¼	40	AetnLf 2.64		4.2	16	2441	63¾	63⅛	63¼	−½
68¼	29	Ahmns 1.38		2.2	8	3169	64¼	63	63⅝	+⅝
4⅛	2½	Aileen			75	51	4	3¾	3¾	−⅛
[illegible]										

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from Page 48

Continued on Page 47

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 2pm, April 14

OVER-THE-COUNTER

Nasdaq national market, 2pm prices

Continued on Page 47

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Uncertainty ahead of growth data

THE US stock markets moved uncertainly yesterday into a week which will feature the meeting of Opec ministers and the latest official estimates of US economic growth – both against the backdrop of US-Libyan tensions in the Middle East, *writes Terry Byland in New York.*

Discount rate signals from the short-term credit markets increased in volume after reports that Tokyo and Washington had agreed to cut their respective interest rates ahead of the economic summit meeting opening on May 4. Once again, the bond market surged ahead after mid-day when the Fed failed to intervene to check the slide in federal funds.

But the stock market moved cautiously as economic sluggishness appeared borne out by the latest federal data as well as by trading statements from major US corporations. Later this week, the US Commerce Department releases its estimates of GNP growth for the first quarter of 1986, which will be scanned *for signs of the beneficial effects of the* slump in world oil prices.

At 2pm the Dow Jones industrial average was up 7.81 at 1,797.99.

The prospect of renewed downward pressure on the dollar brought buyers in for pharmaceutical stocks. Merck jumped $2¾ to $168½ while smaller gains were registered elsewhere in the sector.

The quarterly reporting season made an uncertain start as both General Motors and IBM gave the market pause for thought. At $83⅞ General Motors shed $⅝ in cautious trading after confirming Wall Street's fears by introducing a new round of financing incentives in an attempt to shift sluggish inventories of unsold cars. GM also plans cost-cutting measures, another indication of the pressures implied by flagging motor sales in the US.

After a slow start, IBM moved $1¼ ahead to $151 as the market digested the first-quarter trading report, which again warned that the outlook for the rest of the year was uncertain.

NCR joined the reporting lists, the shares edging up by $⅝ to $45⅝ on news that profits were 15 per cent ahead in the first quarter.

The technology sector brightened on NCR's results, led by Digital Equipment, which added $3⅛ to $172⅞. Apple Computer, down $⅛ at $26⅞, unveiled upgraded computer models.

Banking results continued to roll *although Chase Manhattan added only $¼* at $47⅞ on trading figures.

Higher earnings at TRW took the shares ahead by $1¼ to $97⅞ in minimal turnover. CPC International at $62½ added $⅜ on the trading figures.

An active feature was NL Industries, although the stock was unchanged at $14⅛ after the announcement of a stock buyback plan and the withdrawal of the $16 a share offer for the equity by Coniston Partners.

Another active takeover feature was National Gypsum, up $3⅜ at $62¼ as the management group increased its offer to $46 a share cash and $28 in paper, against $54 straight cash from Wickes Group.

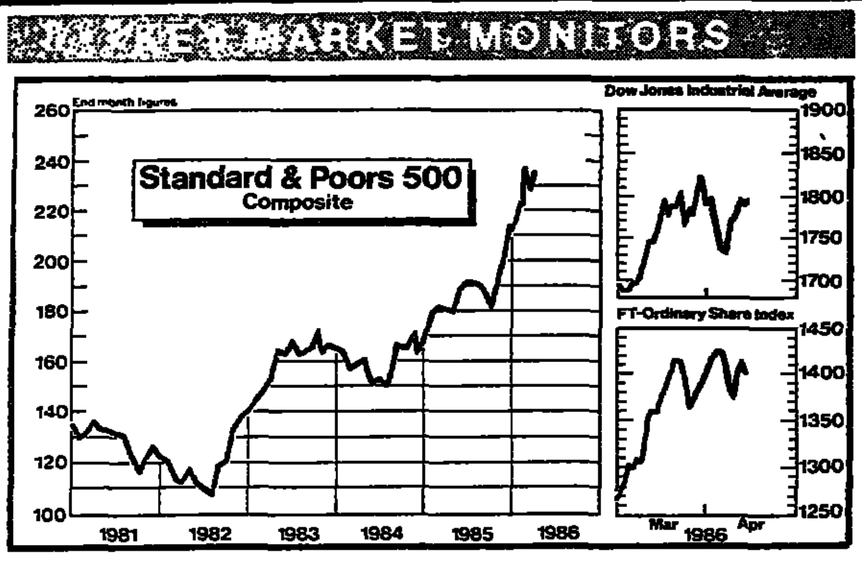
Oils traded nervously as Wall Street waited for the Opec ministers to renew their attempt to curb the fall in world oil prices. Exxon at $55½ showed no change and was lightly traded. Chevron edged up $¼ to $39, while Atlantic Richfield eased $⅛ to $53⅜.

Airline stocks, also with much at stake in the battle over oil prices, were mostly lower. Among the domestic carriers United fell $⅞ to $55¼ and American $⅞ to $54¾. Pan Am held unchanged at $6⅞, despite activity in Resorts International, which holds a stake in the airline. Resorts slipped $⅝ to $66⅞ as the death of the chairman raised uncertainties over the 60 per cent equity stake held by his family.

By mid-session, gains in long-dated US treasury bonds ranged to three quarters of a point, signalling market satisfaction with a sluggish economy and low inflation. The yield on the key long bond dipped to around 7.30 per cent.

With federal funds below 7 per cent again, three-month Treasury bill rates *eased by three basis points to 5.92 per* cent, and other money market rates continued to slip lower.

MARKET MONITORS



STOCK MARKET INDICES

	April 14	Previous	Year ago
NEW YORK			
DJ Industrials	1,797.99*	1,790.18	1,265.68
DJ Transport	788.03*	786.06	598.21
DJ Utilities	188.71*	188.19	155.88
S&P Composite	236.87*	235.98	180.64
LONDON			
FT Ord	1,399.3	1,411.9	977.0
FT-SE 100	1,683.1	1,694.1	1,275.8
FT-A All-share	822.09	825.53	620.05
FT-A 500	903.13	906.37	681.57
FT Gold mines	290.0	278.1	536.9
FT-A Long gilt	8.87	8.87	10.51
TOKYO			
Nikkei	15,396.76	15,326.30	12,588.00
Tokyo SE	1,227.10	1,223.64	981.52
AUSTRALIA			
All Ord.	1,202.1	1,214.8	864.0
Metals & Mins.	559.7	556.2	561.1
AUSTRIA			
Credit Aktien	116.99	117.17	75.76
BELGIUM			
Belgian SE	3,572.94	3,607.03	2,259.84
CANADA			
Toronto			
Metals & Minls	2,279.3*	2,268.1	2,047.0
Composite	3,093.7*	3,083.6	2,628.0
Montreal			
Portfolio	1,607.62*	1,602.67	129.26
DENMARK			
SE	248.64	248.71	190.60
FRANCE			
CAC Gen	n/a	370.1	220.0
Ind. Tendance	n/a	141.6	78.1
WEST GERMANY			
FAZ-Aktien	740.96	725.75	418.78
Commerzbank	2,243.9	2,194.5	1,211.7
HONG KONG			
Hang Seng	1,785.45	1,784.21	1,492.18
ITALY			
Banca Comm.	695.39	699.36	272.45
NETHERLANDS			
ANP-CBS Gen	272.0	269.9	206.2
ANP-CBS Ind	255.4	254.9	164.8
NORWAY			
Oslo SE	n/a	353.71	308.53
SINGAPORE			
Straits Times	567.2	575.53	800.23
SOUTH AFRICA			
JSE Golds	–	1,164.1	1,113.2
JSE Industrials	–	1,110.1	856.2
SPAIN			
Madrid SE	159.67	156.61	81.14
SWEDEN			
J & P	n/a	2,279.63	1,438.90
SWITZERLAND			
Swiss Bank Ind	601.0	596.2	419.7
WORLD	April 11	Prev	Year ago
MS Capital Int'l	307.4	305.5	202.6

COMMODITIES

(London)	April 14	Prev
Silver (spot fixing)	370.80p	366.15p
Copper (cash)	£961.00	£968.75
Coffee (May)	£2,315.00	£2,288.00
Oil (Brent blend)	$13.075	$14.05

GOLD (per ounce)

	April 14	Prev
London	$341.00	$341.50
Zürich	$340.75	$340.05
Paris (fixing)	$343.85	$340.19
Luxembourg	$344.20	$340.50
New York (June)	$343.40	$347.50

CURRENCIES

	US DOLLAR		STERLING	
(London)	April 14	Previous	April 14	Previous
£	–	–	1.4815	1.475
DM	2.309	2.3055	3.42	3.4
Yen	178.95	178.35	265.0	263.0
FFr	7.3525	7.3425	10.8925	10.83
SFr	1.9305	1.9245	2.86	2.8375
Guilder	2.601	2.597	3.855	3.83
Lira	1,582.5	1,575.0	2,344.5	2,323.0
BFr	46.9	46.8	69.5	68.6
C$	1.3995	1.39125	2.0712	2.0625

INTEREST RATES

	April 14	Prev
Euro-currencies (3-month offered rate)		
£	10⅛	10⅛
SFr	4⅝	4⅝
DM	4⅝	4⅝
FFr	7⅞	7⅞
FT London Interbank fixing (offered rate)		
3-month US$	6¾	6⅞
6-month US$	6¾	6⅞
US Fed Funds	7 5/16*	7¼
US 3-month CDs	6.50*	6.58
US 3-month T-bills	5.92*	6.13

US BONDS

Treasury		April 14*		Prev	
		Price	Yield	Price	Yield
7⅜	1988	101 5/32	6.52	101 5/32	6.54
7⅞	1993	101 12/32	7.02	101 10/32	7.04
8⅞	1996	111 15/32	7.21	111 25/32	7.2
9¼	2016	123 14/32	7.31	123 18/32	7.29

Treasury Index

Maturity (years)	Return index (April 14*)	Day's change	Yield	Day's change
1–30	152.82	+0.49	7.11	–0.06
1–10	144.27	+0.40	6.94	–0.06
1– 3	135.06	+0.22	6.68	–0.06
3– 5	146.45	+0.46	7.05	–0.08
15-30	183.51	+0.80	7.70	–0.04

Source: Merrill Lynch

Corporate	April 14* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	101⅝	9.85	101⅝	9.85
3⅞ July 1990	89⅝	6.90	89⅝	6.90
8¾ May 2000	99⅛	8.85	99⅛	8.85
Xerox				
10⅞ Mar 1993	108⅛	8.04	108⅛	8.04
Diamond Shamrock				
10¾ May 1993	102	10.01	102	10.01
Federated Dept Stores				
10⅝ May 2013	110.17	9.5	110.17	9.5
Abbot Lab				
11.80 Feb 2013	111½	10.5	111½	10.5
Alcoa				
12½ Dec 2012	111¼	10.94	111¼	10.94

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	102–31	103–12	92–25	102–13
US Treasury Bills (IMM) $1m points of 100%				
June	94.44	94.47	94.43	94.42
Certificates of Deposit (IMM) $1m points of 100%				
June	93.68	93.68	n/a	93.62
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.38	93.39	93.33	93.39
20-year Notional Gilt £50,000 32nds of 100%				
June	128–14	128–20	128–02	128–21

* Latest available figures

LONDON

Libyan war of words subdues

THE US-LIBYAN war of words was a subduing influence on London markets yesterday with investors also pessimistic over the outcome of the Opec meeting which opens in Geneva today. The FT Ordinary index fell 12.6 to 1,399.3.

Saatchi and Saatchi's move to raise more than £400m via a rights issue was seen as a further draw on funds available to the market. Saatchi shed 90p to 855p.

Confidence was also undermined by reports that United Biscuits, down 1p at 265p, had sold its near 15 per cent stake in Imperial group, having conceded defeat late on Friday in its battle for control. Imperial fell 18p to 345p.

Government stocks sustained some small losses in quiet trading.

Chief price changes. Page 47; Details, Page 46; Share information service, Pages 44–45

CANADA

A STRONG showing by industrial stocks helped Toronto ahead from the start, building on the record high closes of the three previous sessions.

Xerox Canada traded 40 cents higher at C$4.65. Trilon C$⅛ at C$30¾ and Dome Petroleum 3 cents to C$2.03.

Among the takeover stocks, Genstar gained C$⅞ to C$57⅛ in active trading following the revised offer from Imasco. Hiram Walker was C$¼ ahead at C$38¾ following the revised offer from Gulf Canada. Gulf slipped C$⅛ to trade at C$16⅛.

Among blue-chip stocks Canadian Pacific climbed C$⅜ to C$18⅛, Northern Telecom C$⅜ to C$40¼, Bell C$⅜ to C$39⅞ and Seagram C$½ to C$77½.

Stock prices were also firmer in Montreal.

SOUTH AFRICA

GOLD SHARES were mixed to easier in Johannesburg in line with a modest fall in the bullion price.

Randfontein Estates fell R2 to R254 and Western Deep R1 to R105, but Southvaal managed to pick up 50 cents to R103.50.

Mining houses and most other mining stocks mirrored the mixed showing in golds. Gold Fields of South Africa was unchanged at R37 while Anglo American Corp was 15 cents higher at R42.90 and Rand Mines slipped R3 to R80.

Rustenburg Platinum added 25 cents to R33.40, but diamond share De Beers was unchanged at R23.25. Industrial shares were little changed.

EUROPE

Monday lull swiftly set aside

THE NORMAL Monday lull on the European bourses was swiftly brushed aside yesterday as investors, foreign and domestic alike, surged back into the stock markets amid hopes of lower interest rates and a fresh round of corporate news and reports.

Frankfurt enjoyed yet another dizzy performance by reaching its fifth peak in six sessions as banks and car makers attracted huge buying on the strength of Deutsche Bank's impressive profit figures and the relatively stable dollar exchange rate.

The Commerzbank index breached the 2,200 barrier for the first time with a 49.4 point jump to 2,243.9.

A 63 per cent boost in net profit for Deutsche Bank, the latest and best bank results in the current season, took Germany's largest retail financial institution DM 24 higher to DM 898.50 after touching DM 900 earlier in the session. Unlike most of its domestic competitors, it is still some DM 20 below its high for the year of DM 920.

The other leading banks, spurred on by hopes of lower US and Japanese interest rates, jumped to fresh peaks, with Dresdner DM 21 higher at DM 503 exrights and Commerzbank DM 21.20 up at DM 377 as BHF enjoyed a DM 13 rise to DM 578.

Siemens, which experienced a mild bout of profit-taking last week, moved back into the higher bands of its recent trading range with a DM 9.50 gain to DM 724.50.

The stable dollar/D-Mark rate attracted foreign buyers into the cars sector while hopes of lower domestic interest rates – and consequently revived consumer demand – proved sufficient inducement for domestic buyers.

Both Daimler and VW extended the record gains of last week with fresh rises: the former stormed DM 53 ahead to DM 1,510 and the latter DM 33 to DM 678. BMW picked up a respectable DM 8 to DM 584 while Porsche derived some dollar-related strength and added DM 50 to DM 1,255.

The bond market was subdued. Both domestic and overseas investors appeared hesitant amid uncertainty over the outcome of the Opec meeting which starts in Geneva today.

The Bundesbank was slightly more active yesterday with sales of DM 14.2m of domestic paper compared with Friday's purchase of DM 500,000 of paper. Central bank figures reveal that the average yield on public authority bonds rose to 5.48 per cent from Friday's 5.47 per cent.

Record-breaking form continued in Stockholm as heavy institutional buying and a swift sortie by foreign investors pushed the Veckans Affarer index over the 800 level for the first time with a 20.6 jump to 800.8.

Sentiment was underpinned by the fall in the yield on 180-day Treasury paper by 21 basis points to 9.79 per cent in heavy trading with similar activity at the longer end of the market.

Electrolux was the most active and gained SKr 14 to a record SKr 312 on heavy overseas demand ahead of the group's planned share issue to finance the purchase of White Consolidated.

Volvo hit a high for the year with a SKr 19 surge to SKr 395, and Sandvik touched the SKr 900 level for the first time with a SKr 30 jump.

Swedish Match proved the odd man out with a SKr 7 decline to SKr 385.

The record in Amsterdam was scored largely on healthy overseas buying with particular emphasis on international issues. Unilever picked up Fl 6.70 to Fl 434, a 12-month high, while Akzo's Fl 1.90 gain gave the chemicals and fibres group a record Fl 181.90 close.

The session, however, was not without its casualties as Gist Brocades came under profit-taking pressure after last week's results and dipped 50 cents to Fl 295.50, VNU also encountered some selling and finished Fl 1 cheaper at Fl 306.

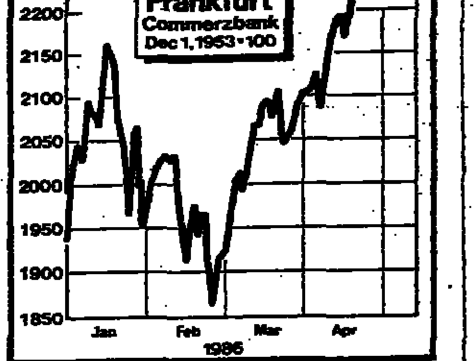
ABN reversed an opening Fl 3 loss to finish Fl 5 higher at Fl 589, and Aegon jumped Fl 7.50 to Fl 115

The ANP-CBS General index rose 2.1 to 272.0 while the domestic bond market was little changed in slow trading on suggestions that a new state issues may be launched later in the week.

Heavy trading dominated Paris ahead of the cut by the Bank of France in its intervention rate by ½ percentage point to 7¾ per cent after the market closed.

Building issues were buoyant ahead of the interest rate moves as Bouygues added FFr 6 to FFr 1,105, Poliet jumped FFr 178 to FFr 1,448 and Dumez finished FFr 78 higher at FFr 1,285.

Michelin's results generated a FFr 41 rise to FFr 3,140 while Moët-Hennessy sparkled with a FFr 60 advance to FFr 2,500 on 1985 results and forecasts of 15 per cent growth in profits for this year.



Elf managed a hefty FFr 28.20 gain to FFr 296 amid statements on cash flow problems caused by the fall in the oil price.

Brussels slipped back in quiet trading, and Milan featured end-of-account selling against a backdrop of unease over the US-Libyan standoff in the Mediterranean.

Construction issues led the rally in Madrid with banks not far behind while Zurich continued to derive energy from the prospects of a cut in the US discount rate.

Oslo was subdued amid conflicting reports on a settlement of the nationwide industrial dispute.

SINGAPORE

CONTINUED stoploss selling of a broad range of stocks left Singapore again lower, with the Straits Times industrial index down 8.33 at 567.20.

Confidence was undermined by reports, later denied, that the Malaysian Prime Minister Mahathir Mohamad had told a conference on Saturday that Malaysia wanted to reschedule its 40.3bn *ringgit foreign debt.*

Yesterday, as Asian banks halted all trading in offshore Malaysian government securities, the Prime Minister was reported to have given an assurance that the country would honour all its debts and repay them on time.

Among actively traded stocks, SIA lost 15 cents to S$5.75 as company officials said foreign holdings of the airline had reached a 20 per cent legal ceiling and the limit might be reviewed.

Elsewhere among the actives, Raleigh declined 13 cents to S$1.60 and TDM shed 7 cents to S$1.03.

HONG KONG

A BOUT of early profit-taking took prices sharply lower from the start of trading in Hong Kong before a resumption of buying by local and overseas investors overcame the downturn, leaving the market mixed.

The Hang Seng index, almost 20 points lower after the first hour, ended 1.24 higher at 1,785.45.

The early fall was described as no more than a technical correction after the market's previous run of seven consecutive sessions that had pushed the index 180 points higher. Analysts added that the undertone remained buoyant, in part as a result of the forthcoming public flotation of shares in Cathay Pacific.

Property issues enjoyed some of the widest support, with Hang Lung Development 30 cents higher at HK$8.65 and Hongkong and Kowloon Wharf 5 cents ahead at HK$7.15.

TOKYO

Food issues provide some spice

REPORTS of an agreement between Japan and the US to cut official discount rates took share prices sharply higher in Tokyo trading yesterday, but a bout of profit-taking in the afternoon wiped out many of the gains, *writes Shigeo Nishiwaki of Jiji Press.*

Although blue chips, large-capital issues and public works-related stocks lost popularity, food and consumption-related issues continued to attract buyers for most of the day.

The *Nikkei* market average soared 163 points at one stage but fell back to close 70.38 higher on balance at 15,396.76. Volume totalled 437m shares, down from last Friday's 521m. Gains outnumbered losses by 525 to 340, with 116 issues unchanged.

Toyota Motor eased Y50 to Y1,360 on forecasts of a recurring profit drop of some 30 per cent for the year ending in June. Other blue chips fell in sympathy. Nippon Steel remained unchanged at Y169 although it topped the active list with 8.02m shares traded.

Domestic demand-oriented blue chips such as foods were favoured. Strong demand for beer – and Kirin Brewery's prowess in biotechnology – drove the stock up Y50 to Y1,260 on a volume of 7.38m shares, the second most active stock.

Nichiro Gyogyo firmed Y10 to Y345 on a volume of 7.04m shares. Nisshin Oil Mills gained Y33 to Y782 and Nippon Meat Packers Y130 to Y1,180.

Chain stores and department stores benefited from strong consumer demand. Seiyu added Y120 to Y1,390 and Takashimaya Y46 to Y685. Wacoal moved its daily maximum Y105 up to Y1,070.

Sumitomo Electric gained Y50 to Y1,150 in active turnover on expectations of much stronger demand for optical fibres.

Leading domestic-demand stocks, which were bought in the morning on prospects of lower interest rates, declined in the afternoon. Tokyo Gas shed Y9 to Y386, Tokio Marine and Fire Insurance Y30 to Y1,160, Mitsubishi Estate Y20 to Y1,890 and Tokyo Electric Power Y30 to Y3,700.

Bond trading was lacklustre, with many investors staying on the sidelines. Prices rose in the morning, sending the yield on the 6.2 per cent government bond, due in July 1995, down to 4.730 per cent.

In the afternoon, more investors moved to the sidelines, content to await this week's US economic figures on industrial operating rates and preliminary first-quarter gross national product estimates. Prices fell pushing the yield on the bellwether bond to close up at 4.780 per cent from Friday's 4.770 per cent.

Investors were also nervous about this week's Opec meeting and mounting tension between the US and Libya.

AUSTRALIA

THE REPERCUSSIONS of takeover manoeuvres and a round of profit-taking after last week's record gains left Sydney lower, with the All Ordinaries index down 12.5 at 1,202.1.

BHP put on 16 cents to A$7.28 as it bought shares and rights to a 20 per cent stake in Elders IXL, which had picked up nearly 20 per cent of BHP last week. Elders, trading ex-dividend, was a sharp 68 cents lower at A$4.

Mr Robert Holmes à Court's Bell Resources, whose partial takeover offer for BHP is held up in legal disputes, shed 15 cents to A$4.65 as it announced a four-for-five rights issue to raise A$623m. Bell Group, which will take its full entitlement to the issue, fell 10 cents to A$7.70.

Profit-taking hit the banks, with ANZ down 10 cents to A$6.02 and Westpac 14 cents lower at A$6.06.